



## ***APPRAISAL REPORT***

***OF***

### ***Proposed Assisted Living Complex***

***1125 Deer Creek Drive***

***Map 55 Parcel 88.02***

***Cookeville, Tennessee 38501-6680***

### ***PREPARED FOR***

***Bank of Putnam County***

***Gerry Whitehead***

***P.O. Box 2809***

***Cookeville, TN 38501***

### ***AS OF***

***August 22, 2010***

### ***PREPARED BY***

***David M. Mainord***

***Real Estate Appraiser***

***167 West Main Street***

***Cookeville, TN 38506-5336***

**This is a summary report.**

*Mainord & Associates*  
A P P R A I S A L S E R V I C E S

August 26, 2010

**Bank of Putnam County**  
Gerry Whitehead  
P.O. Box 2809  
Cookeville, TN 38501

Dear Mr. Whitehead:

As you requested, I have inspected and prepared an appraisal report of the real property with proposed improvements located at:

**1125 Deer Creek Drive  
Proposed (22-Units Assisted Living Complex)  
Map 55 Parcel 88.02  
Cookeville, Tennessee 38501-6680**

The purpose of this appraisal is to develop an opinion of the market value of the property described in the body of the appraisal report.

Enclosed is the appraisal report, which describes certain general and specific data, obtained and analyzed during my investigation of the property and market area. The methods of approach and reasoning in the valuation of the various physical, economic, and/or other features of the property are discussed at length in the body of the report.

As a result of this analysis, and the factors, which became pertinent, which include valuation trends and an analysis of the community and neighborhood data, leads me to develop an opinion the market value of the property, in Leased Fee, as of June 21, 2010, in an "As Proposed" condition to be:

**\$860,000.**

(Eight Hundred, Sixty Thousand Dollars and No----00/00.)

**Please note.** The opinions expressed in this report are contingent upon the Limiting Conditions and Appraiser's Certifications contained within the report. Any unusual features, factors, or conditions have been discussed in detail in the accompanying addenda. It is vital that the client, intended user, or any reader of this report, read the report in its entirety to gain full awareness of the subject, its market environment, and the basis of the appraisal prior to using the value opinion in a business, investment or underwriting decision. The report was prepared with the hypothetical condition the complex, when completed, would comply with all applicable laws, restrictions, and codes. One possible reason the Sales Comparison and Income Approaches are notably lower than the Cost Approach is the large investment in renovation cost to the main residence instead of income producing units. The project involves expenditures of over fifty percent to non-income producing portions of the property. I intend no other uses or users.

Again, it has been my pleasure to assist you. If you have questions, or I may be of further assistance, please call me.

Thank you.

Respectfully submitted,

**David M. Mainord**  
TN Certified General Appraiser  
CG: 1393

## SUMMARY OF SALIENT FACTS

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The **PROPOSED Independent Living Complex** is located at 1125 Deer Creek Drive, Cookeville, Tennessee. The site is improved with a two-story residential **Main Residence** building which contains approximately 4,800 square feet of gross living area on the first floor and 834 square feet of gross living area on the second floor. The main residence was constructed circa 1995. The Main Residence building is being completely renovated to include the enclosure of the garage into two (2) living units, and interior and exterior renovations. These renovations include, but are not limited to, driveway and court yard construction with brick paving, stairs to the second floor (**Executive Living Quarters**), the addition of a waste water system to accommodate the main residence and twenty (20) living areas for the clients, steam shower additions, cabinets and appliances for the kitchen and great room, iron work for the stairway for the second floor, and carpet and ceramic for the floors. The engineer/architect's estimate of the renovations is \$285,755.

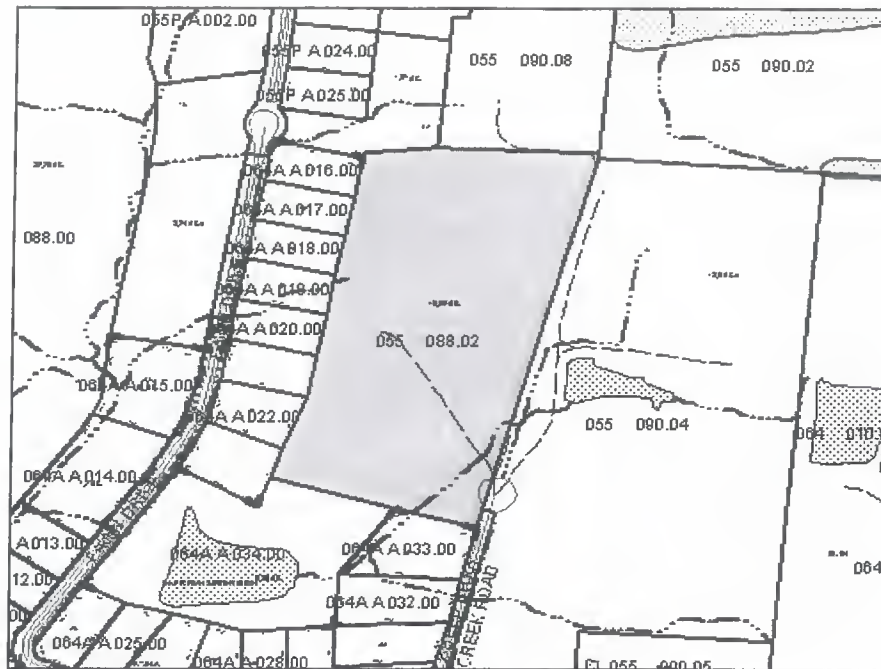
The **Assisted Living Section** of the complex is planned to be constructed. The section is proposed to consist of two (2) buildings of identical size, design, and function. Each building will contain 2,542 square feet of gross living area. Each building will contain 10 living areas. Each living area will have a bedroom, closet, and bath which contain a single sink, 4' shower and commode. The living areas will have eight foot ceilings, finished drywall with carpet and vinyl floor covering. The living areas will be handicap accessible and meet all applicable building and safety codes. The buildings will be slab-on-grade, wood frame, hip roof covered with composition shingles and stucco exterior. Each living area unit (22) will be heated and cooled with a "package unit" through the wall system.

The site contains 10.52 acres and does not appear to be located in a flood plain. The site is located approximately one mile from Baxter and eight miles from Cookeville in a rural subdivision. The development will have private sewer. See maps, photographs, and floor plans in the Highest and Best Use and Addenda Sections of the report.

<b>Address:</b>	1125 Deer Creek Drive, Cookeville, TN 38501-6680
<b>Assessor's Map and Parcel:</b>	Map 55 Parcel 88.02
<b>Zoning:</b>	Residential
<b>Land Use:</b>	Household Unit
<b>Property Rights Appraised:</b>	Leased Fee, in an "As Proposed" Condition
<b>Highest and Best Use:</b>	See Analysis As Proposed
<b>Value Opinion the Cost Approach:</b>	\$1,013,000.
<b>Value Opinion by the Sales Comparison Approach:</b>	\$888,000.
<b>Value Opinion by the Income Approach:</b>	\$798,000.
<b>Construction and Lease-Up Adjustment</b>	\$52,353.
<b>Value "at Stabilization"</b>	\$911,000.

**Opinion of Market Value "As Proposed" in Leased Fee as of August 22, 2010:**  
**\$860,000.**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



1125 Deer Creek Drive  
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## **IDENTIFICATION AND TYPE OF PROPERTY**

The **PROPOSED Independent Living Complex** is located at 1125 Deer Creek Drive, Cookeville, Tennessee. The site is improved with a two-story residential **Main Residence** building which contains approximately 4,800 square feet of gross living area on the first floor and 834 square feet of gross living area on the second floor. The main residence was constructed circa 1995. The Main Residence building is being completely renovated to include the enclosure of the garage into two (2) living units, and interior and exterior renovations. These renovations include, but are not limited to, driveway and court yard construction with brick paving, stairs to the second floor (**Executive Living Quarters**), the addition of a waste water system to accommodate the main residence and twenty (20) living areas for the clients, steam shower additions, cabinets and appliances for the kitchen and great room, iron work for the stairway for the second floor, and carpet and ceramic for the floors. The engineer/architect's estimate of the renovations is \$285,755.

The **Assisted Living Section** of the complex is planned to be constructed. The section is proposed to consist of two (2) buildings of identical size, design, and function. Each building will contain 2,542 square feet of gross living area. Each building will contain 10 living areas. Each living area will have a bedroom, closet, and bath which contain a single sink, 4' shower and commode. The living areas will have eight foot ceilings, finished drywall with carpet and vinyl floor covering. The living areas will be handicap accessible and meet all applicable building and safety codes. The buildings will be slab-on-grade, wood frame, hip roof covered with composition shingles and stucco exterior. Each living area unit (22) will be heated and cooled with a "package unit" through the wall system.

The site contains 10.52 acres and does not appear to be located in a flood plain. The site is located approximately one mile from Baxter and eight miles from Cookeville in a rural subdivision. The development will have private sewer. See maps, photographs, and floor plans in the Highest and Best Use and Addenda Sections of the report.

## **SALES HISTORY**

The subject property was conveyed to Living the Dream (a non-profit organization) on May 27, 2010. Living the Dream became the sole owner with this transaction. The deed is recorded in Warranty Deed Book 587 Page 544 in the Registers Office of Putnam County Tennessee. The recorded sales price was \$390,000 for an improved site. Per the inspection visit and conversation with the owner, the property is not listed for sale or under contract for sale.

## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to develop an opinion of the market value of leased fee ownership in the Subject, as a **PROPOSED** development, as of August 22, 2010. Specifically, the purpose and intended use of this appraisal is for market value determination for lending purposes by **BANK OF PUTNAM COUNTY**. Any other use, duplication, copying, or utilization of this report for other than its intended purpose, as a

whole or in part, is prohibited without the express written consent of the appraiser. (See Appraiser's Certifications and Limiting Conditions).

The *client* for this report is BANK OF PUTNAM COUNTY, the *intended use* of the report is for market value for lending purposes, and the *intended user* of the report is BANK OF PUTNAM COUNTY. Use of this report by other users and/or for other purposes is not the intent of the appraiser. Any party receiving a third copy of this report does not, as a consequence, become part of the appraiser-client relationship. I intend no other uses or users.

The accepted definition of market value as found in the *The Appraisal of Real Estate*, Thirteenth Edition, page 24-25 and serves as a current economic definition agreed upon by agencies that regulate federal financial institutions in the United State of America is:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well-informed, well advised, and each acting in what he considers his own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal considerations for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

**The definition presupposes that:**

- The seller is knowledgeable, experienced and willing,
- A reasonable time is allowed to find an informed, experienced and willing buyer,
- There are sufficient sellers and buyers to form a market,
- Adequate financing is available at equitable rates,
- All parties are informed, there is full disclosure,
- There may be other or special values not herein recognized or considered under different or abnormal circumstances"

### **SCOPE OF THE APPRAISAL**

In preparing this appraisal, I made a personal inspection of the property. The subject's legal description was taken from assessor records and compared against tax maps, and physical inspection. As a minimum, a Level A or inferred market study will be conducted.



In order to determine the growth patterns, history of development, success of existing developments and quality of these projects the appraiser has conducted an in-depth investigation of the area. A number of different land sales were examined in the immediate area and in areas where recent sales of residential facilities have taken place. In every instance the deed, tax records and physical inspection were all part of the discovery process and are a part of the appraiser's files.

In addition to the typical searches for data, I consulted with developers, investors, managers, and construction experts to ascertain information in the approaches used to estimate value. The individuals assisted me in acquainting myself with apartment property construction, development, quality standards, operational criteria, business considerations, and other information pertinent to successful residential rental complex operations.

I also have read publications, viewed videos, and other materials, which describe in detail many areas of consideration of this type appraisal. These publications proved very helpful in becoming familiar with apartment rental as a business enterprise, and statistics relating to supply and demand, trends in apartment facilities usage, and other economic considerations used in this appraisal.

Local sources and prepared cost manuals such as Marshall Valuation Services were used along with the appraiser's experience in construction, real estate and appraisal assignments.

The income information was verified and checked against industry standards. The owners provided the Subject income and expense information. This information included historical income and expense estimates.

### **SITE SIZE AND DESCRIPTION**

Per the survey, this complex is situated on a site, which appears to be approximately 10.52 acres. The subject site is located on Map 55 Parcel 88.02 in the Assessor's Office of Putnam County, Tennessee. A survey was made available to the appraiser to verify this acreage, and is therefore assumed to be correct per the survey. A complete legal description is included in this report. The site is composed of land classed as Residential located in Census 47141- 0011.00 and is not located in a flood plain.

The site is accessible by Deer Creek Drive which intersects with Buffalo Valley Road. The site is not located within the corporate limits of either Baxter or Cookeville. Buffalo Valley Road is an asphalt road, which has limited public utilities available to it. This site is located within and adjacent Deer Run subdivision. The planned parking area is considered to be adequate for the area and have parking in front of each building.

### **RESTRICTIONS AND EASEMENTS**

The legal description provides for a 30' permanent easement along the eastern boundary.

**ZONING**

The property will be classed as Property Type as Residential. The site is located within a single-family residence subdivision; however, the subdivision is not within the corporate limits of either Baxter or Cookeville, thus a zoning variance is probably not necessary. It is assumed the property zoning will not be an issue which would limit the development of the property. The adjacent properties are similarly developed into single-family residential properties.

**REAL ESTATE TAX**

The Putnam County Tax Assessor has this parcel assessed as a commercially developed site. The present taxes are calculated as follows:

<b>Property Type:</b>	Residential
<b>Land Use:</b>	Household Unit
<b>Improvement Type:</b>	Single Family

Assessment:	Residential
-------------	-------------

Land:	\$ 67,200.
Improvements:	\$ 401,400.
Total Appraised Value:	\$ 468,600.

Assessed Value:	\$117,150
Assessed Rate: 25%	

Tax Rate:

Putnam	\$2.75
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The 2009 Real Estate Taxes for this property would be **\$3,221.63**

## CITY AND AREA DATA

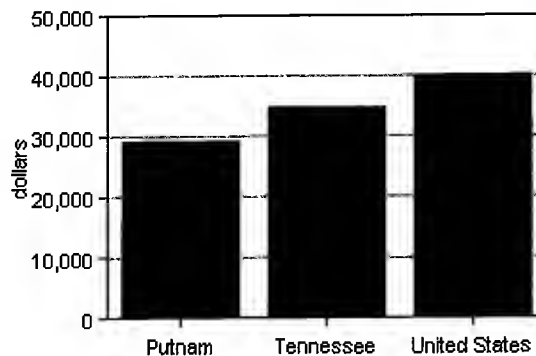
### PUTNAM COUNTY, TENNESSEE

Putnam County is one of 95 counties in Tennessee. It is part of the Cookeville, TN Micropolitan SA. Its 2008 population of 71,369 ranked 18th in the state.

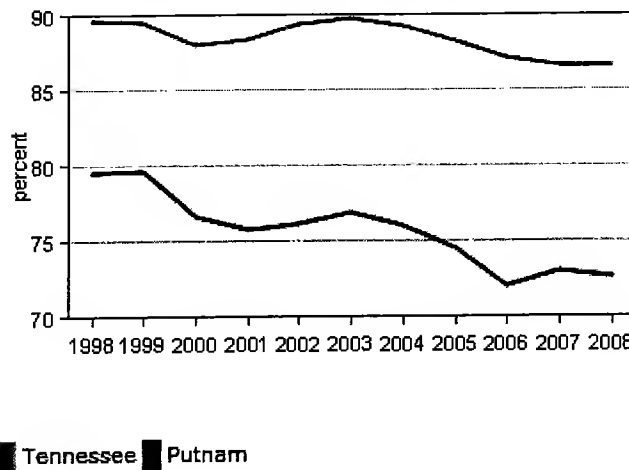
### PER CAPITA PERSONAL INCOME

In 2008 Putnam had a per capita personal income of \$29,194. This PCPI ranked 35th in the state and was 84 percent of the state average, \$34,833, and 73 percent of the national average, \$40,166. The 2008 PCPI reflected an increase of 1.6 percent from 2007. The 2007-2008 state change was 2.0 percent and the national change was 2.0 percent. In 1998 the PCPI of Putnam was \$21,699 and ranked 25th in the state. The 1998-2008 average annual growth rate of PCPI was 3.0 percent. The average annual growth rate for the state was 3.6 percent and for the nation was 4.0 percent.

Per Capita Personal Income, 2008



Per Capita Income as a Percent of the United States, 2008



## TOTAL PERSONAL INCOME

	2007-08 percent change	1998-2008 AAGR
Putnam	3.7 %	4.6 %
Tennessee	3.1 %	4.8 %
U.S.	2.9 %	5.0 %

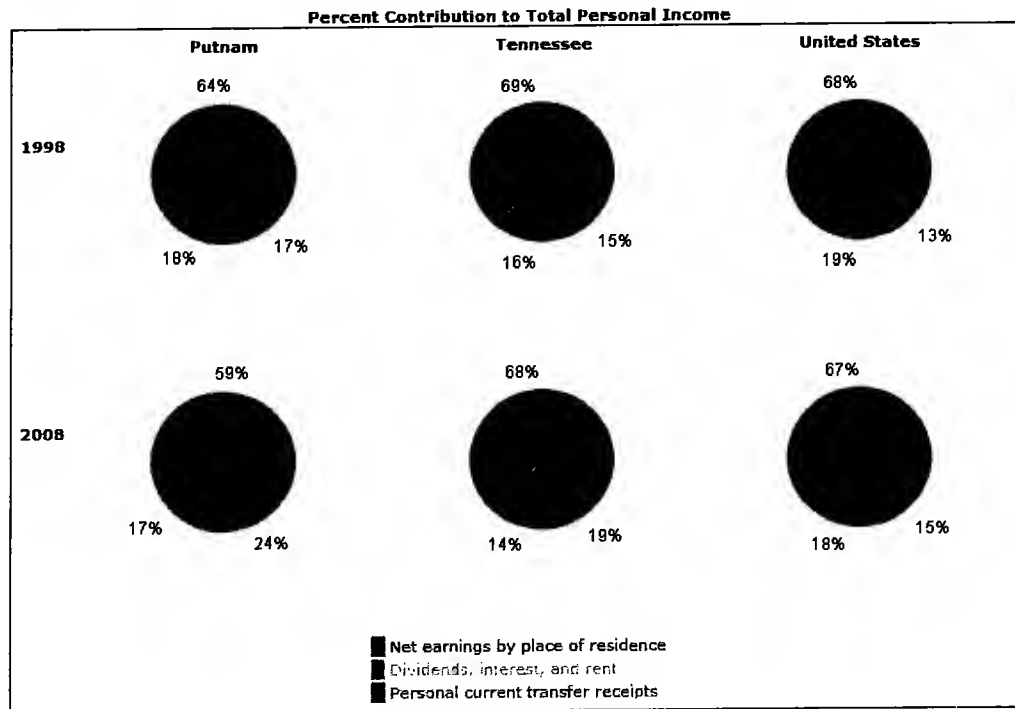
AAGR: average annual growth rate

In 2008 Putnam had a total personal income of \$2,083,548\*. This TPI ranked 20th in the state and accounted for 1.0 percent of the state total. In 1998 the TPI of Putnam was \$1,323,186\* and ranked 18th in the state.

\*Note: Total personal income estimates are in thousands of dollars, not adjusted for inflation.

## COMPONENTS OF TOTAL PERSONAL INCOME

Total personal income includes net earnings by place of residence; dividends, interest, and rent; and personal current transfer receipts received by the residents of Putnam



2007-2008 percent change			
	Putnam	Tennessee	U.S.
Net earnings	1.6 %	1.6 %	2.0 %
Dividends, interest, and rent	3.9 %	2.8 %	1.3 %
Personal current transfer receipts	9.2 %	9.1 %	9.2 %

1998-2008 average annual growth rate			
	Putnam	Tennessee	U.S.
Net earnings	3.8 %	4.6 %	4.8 %
Dividends, interest, and rent	3.9 %	3.1 %	4.2 %
Personal current transfer receipts	8.0 %	7.2 %	6.7 %

# PROPOSED INDEPENDENT LIVING COMPLEX

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

## Quick Glance

<b>Population:</b>	28,901
<b>Population Growth:</b>	10.8%
<b>Population Density:</b>	1,173
<b>Median Age:</b>	31 years
<b>Median Income:</b>	\$29,448
<b>Cost of Living Index:</b>	83

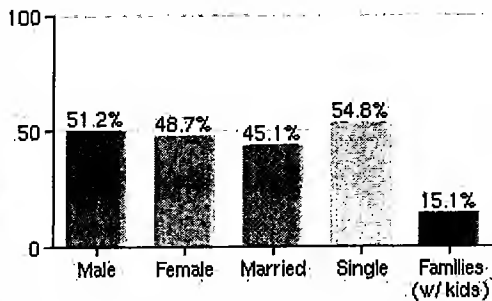
## Weather

Today: Fair  
95°F / 72°F



<b>January Avg Temp:</b>	25°F
<b>July Avg Temp:</b>	87°F
<b>Sunny Days:</b>	208
<b>Precipitation Days:</b>	124
<b>Rainfall (inches):</b>	57
<b>Snowfall (inches):</b>	8

## Cookeville Demographics



## Cookeville Jobs and Politics

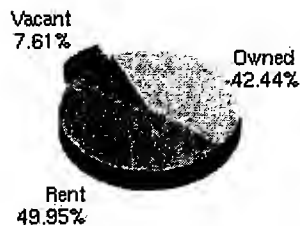
<b>Unemployment Rate:</b>	9%
<b>Recent Job Growth:</b>	-3.3%
<b>Future Job Growth:</b>	19.8%
<b>Democrat:</b>	39.9%
<b>Republican:</b>	59.1%
<b>Independent (others):</b>	0.9%

## Cookeville Housing Statistics

<b>Median Home Age:</b>	27 years
<b>Median Home Value:</b>	\$159,282

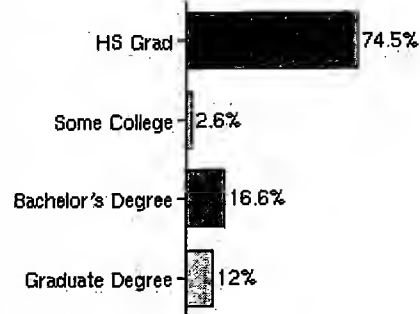
Renter v. Owner

Market Value



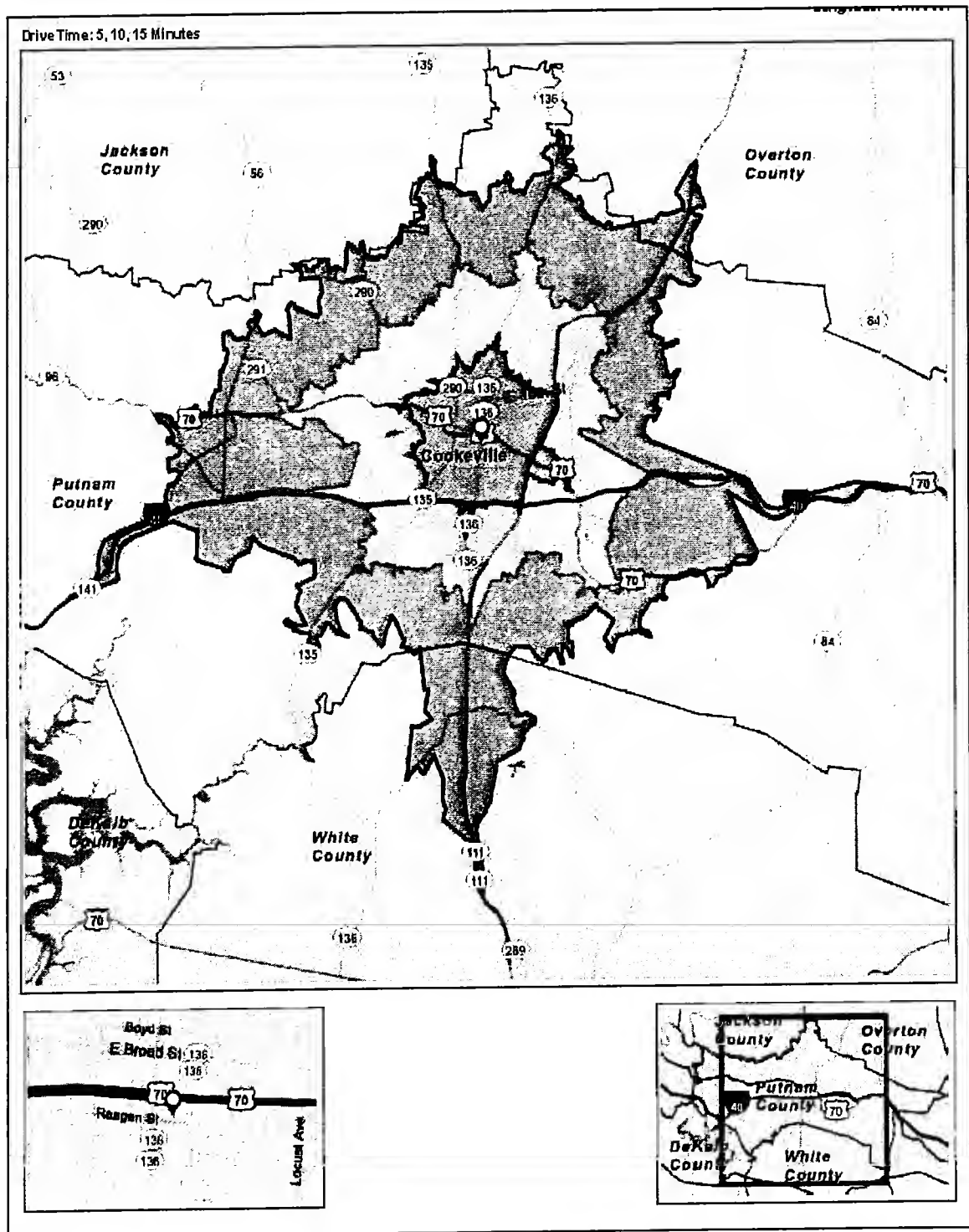
## Cookeville Education Statistics

<b>School Expenditures:</b>	\$3,932
<b>Pupil/Teacher Ratio:</b>	17
<b>Students/Librarian:</b>	581
<b>Students/Counselor:</b>	429



**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
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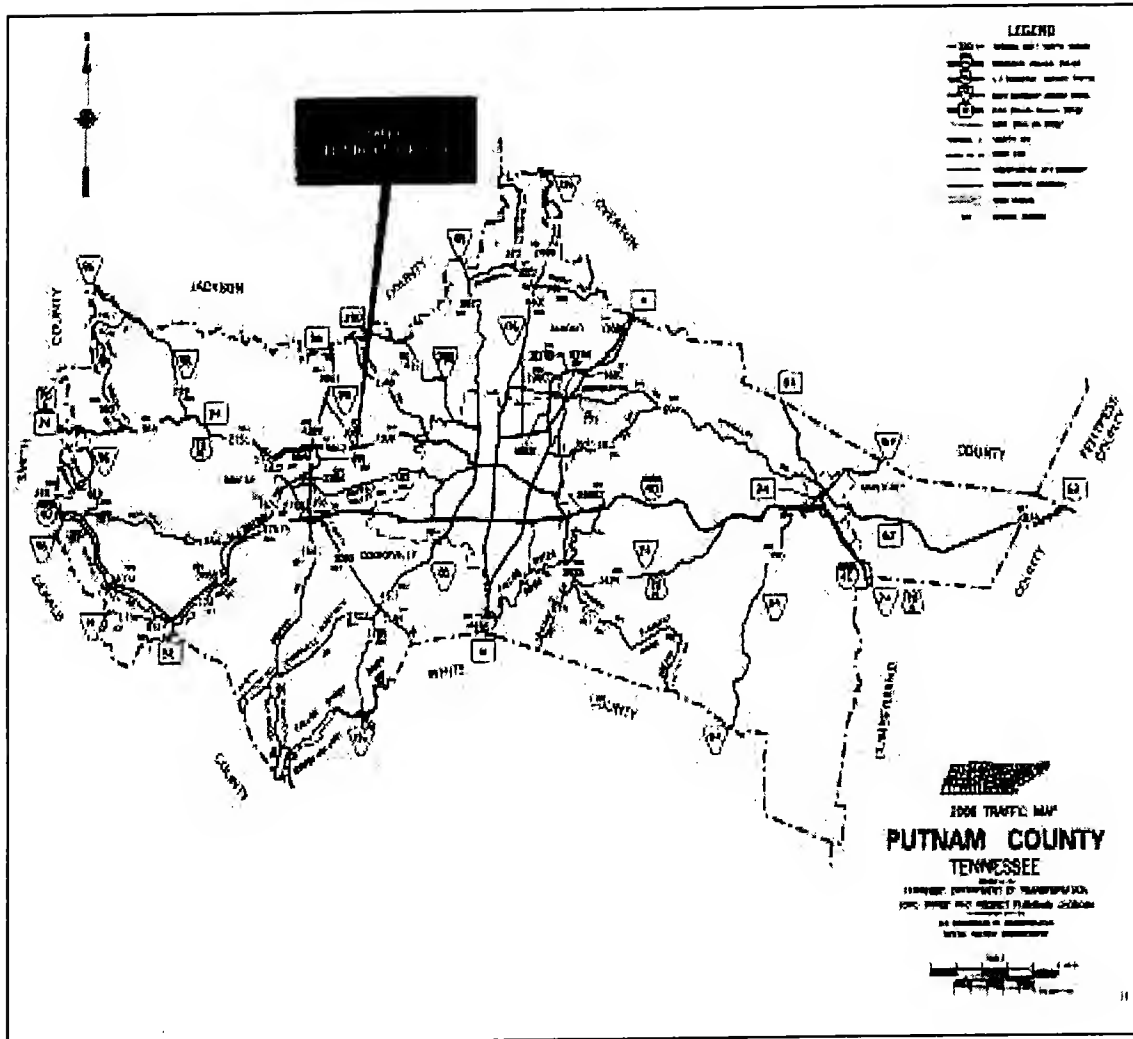


**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010





## **HIGHEST AND BEST USE ANALYSIS**

### **Definition of Highest and Best Use:**

The following definition of highest and best use in the Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition, by Appraisal Institute, 2009.

*"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value."*

Also implied, is that the estimation of highest and best use results from judgment and analytical skill, i.e., that the use concluded from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the foundation on which market value rests. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use."

The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: 1.) Physically possible, 2.) Legally permissible, 3.) Financially feasible, and 4.) Maximally productive. These criteria are usually considered sequentially; a use may be physically possible, but this is irrelevant if it lacks feasibility or legally prohibited. Only when there is a reasonable possibility that one of the prior unacceptable conditions can be changed is it appropriate to proceed with analysis. If, for example, current zoning does not permit a potential highest and best use, but there is a reasonable possibility that the zoning can be changed, the proposed use can be considered on that basis. A full analysis may be included in the report when the conclusions are based on technique applied to identify the highest and best use among two or more potential uses. (The Appraisal of Real Estate, 13<sup>th</sup> Edition, by the Appraisal Institute, 2008)

### **Theory of Highest and Best Use**

The theory of highest and best use implies the value of a real property depends on its use as the following circumstances demonstrate:

- An unimproved tract of land might be worth \$2.00 per square foot to a residential home builder who is building a single-family dwelling, or
- The tract may be worth \$3.00 per square foot to a multi-family developer who can use the site for a 24-unit apartment complex.

The latter use will produce more net income to the developer than the single family use and subsequently generate a greater value. The net income or the greatest return may be

one of the requirements for the highest and best use, but the value of the property is the main factor.

### **Highest and Best Use as Vacant**

The appraiser makes the assessment or the selection of a highest and best use during the appraisal process. The three major considerations are as follows:

- Is the use physically possible?
- Is the use legally permissible?
- Is the use financially feasible?

### **Physically Possible Uses**

The topography and subsurface characteristics of the property must be compatible with the proposed highest and best use. If the site cannot be improved or utilized in its present state, it may lack the utility to support a valid market value. Factors which influence this determination may be as simple as the comparison of the improvement size to the land size, or as complicated as determining if the site will support the physical weight of the structure. Other physical characteristics evaluated during a highest and best use analysis are:

- Size
- Shape
- Soil Characteristics
- Topography
- Usable Land Area

The Subject site does not appear to have detrimental characteristics that would limit any foreseeable construction type. The physical characteristics of soils in the area are generally suitable for construction if proper preparation is made.

### **Legally Permissible Uses**

The use must conform to existing zoning, environmental, and other governmental regulations in effect at the time of the appraisal. Examples of the types of governmental /and or environmental restrictions include:

- Flood Plains and Floodways
- Wetlands
- Endangered Species
- Historical Properties

The selection of the highest and best use of the site is based on the knowledge of the permitted uses and the alternate uses if modifications are possible. Additionally, construction may be restricted or limited on a portion of the site, but the unusable land area could contribute to the land/building density requirements for the remainder of the site. For example, the elevation of the site located in a flood plain can typically be modified and used for a building pad. However, the elevation of a site located in a

floodway cannot be altered, so the land area cannot be used as a building site. Obviously if a site cannot be developed, the value of the site will be affected and that would certainly affect the highest and best use analysis.

A restriction of the property may be a zoning classification or as complex as a reversionary estate. The use must conform to any private deed or other enforceable restrictions such as:

- Use Restriction
- Building Sizes and Types
- Reversionary Rights

Local zoning classifications may include the following restrictions or limitations on the property's use:

- Type of Use (residential, commercial, industrial, etc)
- Lot Coverage (density)
- Parking requirements
- Sidelines and/or setbacks
- Number of Building Units
- Number of Stories

Additionally, a local or regional governing body as well as the federal government may enforce building codes such as:

- Requirements for the Handicap Accessibility
- Environmental Justice
- Earthquake Building Standards
- Wind or Hurricane Standards

If any of these factors prohibit or inhibit the use of the property, they are considered during the selection of the appropriate highest and best use.

Assuming the permitted uses do not appropriately reflect a property's highest and best use as indicated by the market, then consideration must be given to possible legal alternatives. Though zoning, governmental controls and deed restrictions establish the legal uses of land, they do not ensure that the uses allowed under those restrictions will product the highest value or return. When there is evidence suggesting a change in the legal restrictions is possible and probable, the value estimate may be based on that assumption. Sufficient verified information must be obtained to support a decision of a more appropriate highest and best use under the projected change of the legal use. The value would be reported as contingent upon the possible changes. The probable use if any, and allowed uses are revealed in the appraisal report to the client, along with a property value for those uses when appropriate.

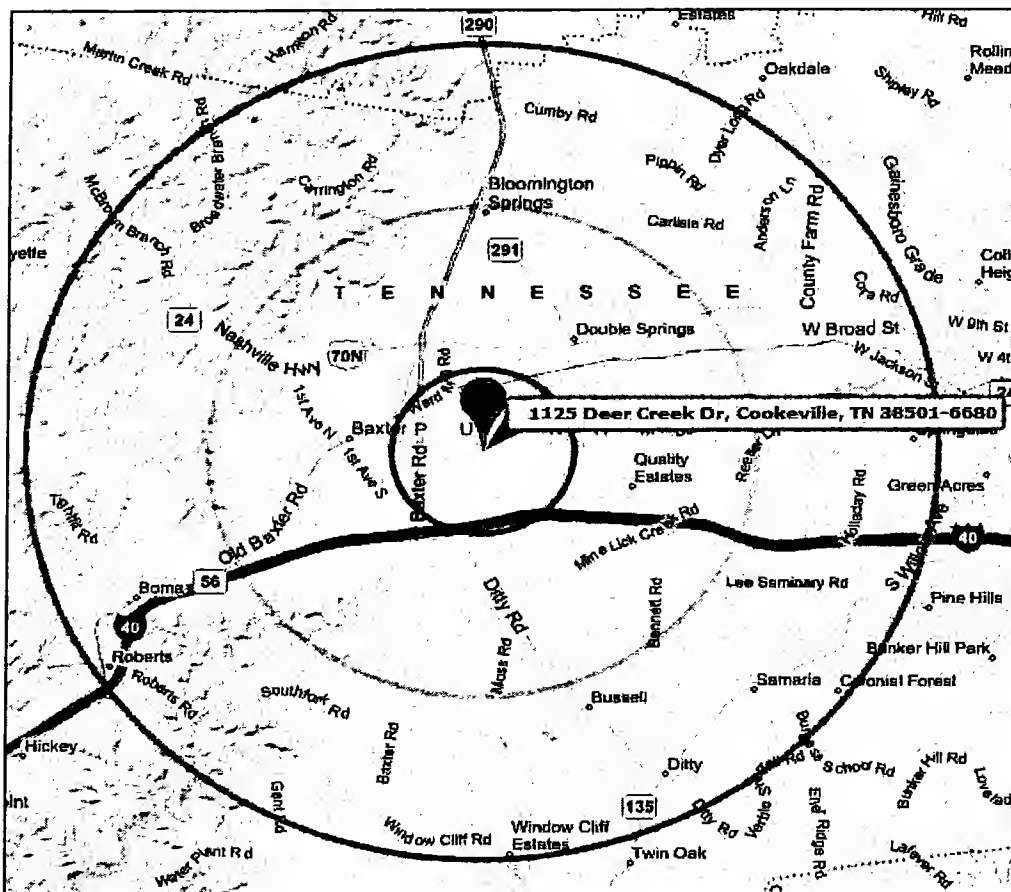
The property at present is zoned Residential; therefore the uses are limited to those uses listed in the zoning classification. The zoning is not projected as a limiting factor for the possible and most probable use of the site. There are commercial developments near and adjacent to the site. Zoning variances are very typical in the area.

### Financially Feasible Uses (Probable)

The property can be used for most general residential uses. The size of the tract, street access and site shape would be conducive for general RESIDENTIAL development.

### Highest and Best Use as Improved

Based upon these criteria, the Subject Property's highest and best use would be as improved as a residential facility. When these tests are applied to alternative uses for the property, it becomes financially and functionally impracticable to change the use of the property. Typical investors would be residential developers or investors.



### SUBJECT MARKET AND TRADE AREA:

Blue Ring: 5-Minute Driving Distance

Green Ring: 10 Minutes Driving Distance

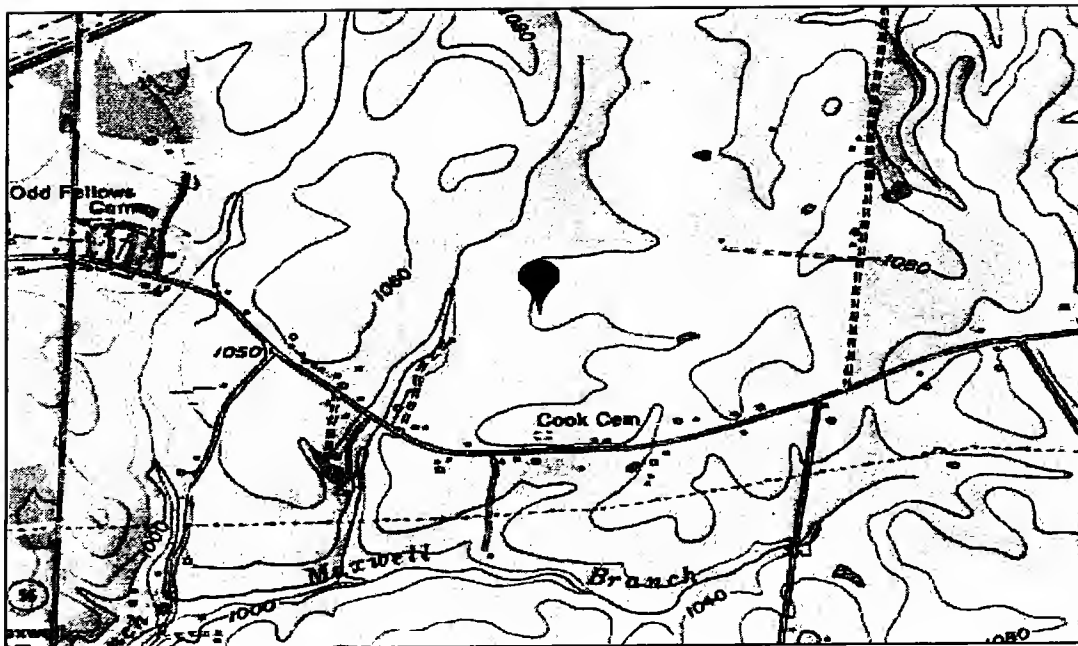
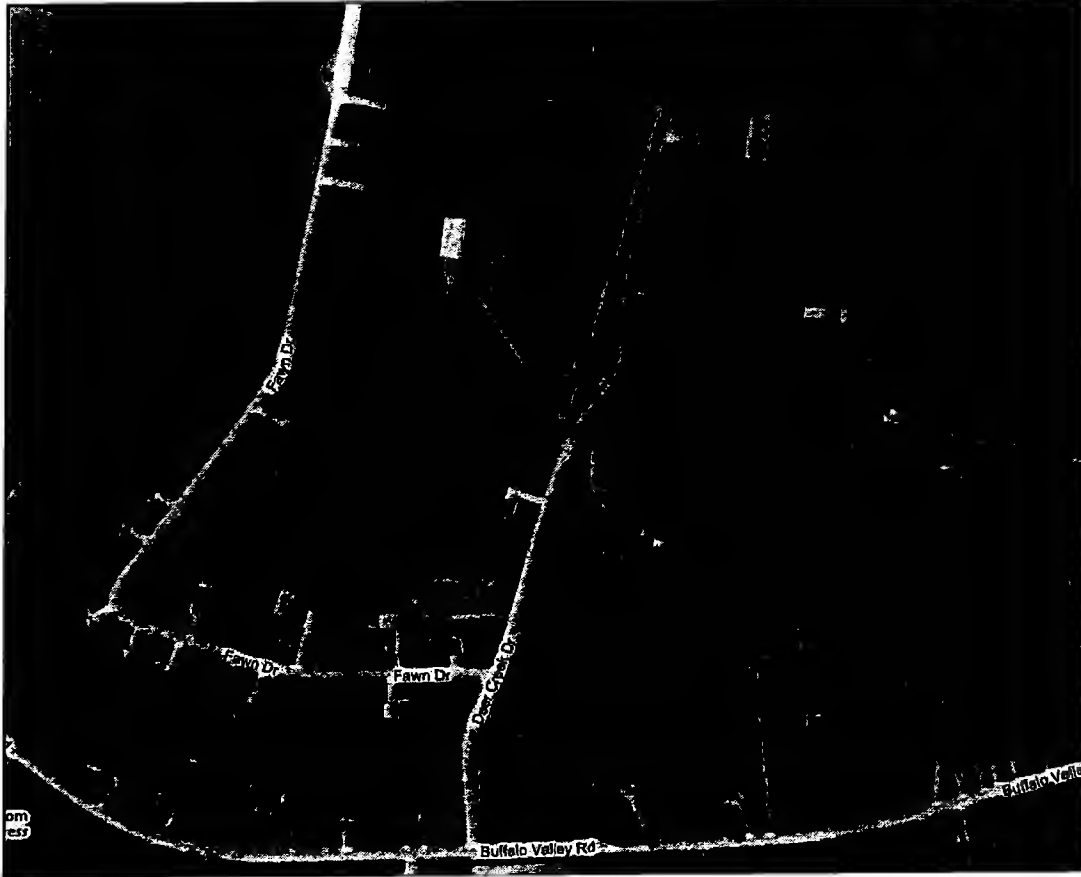
Red Ring: 15 Minutes Driving Distance

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

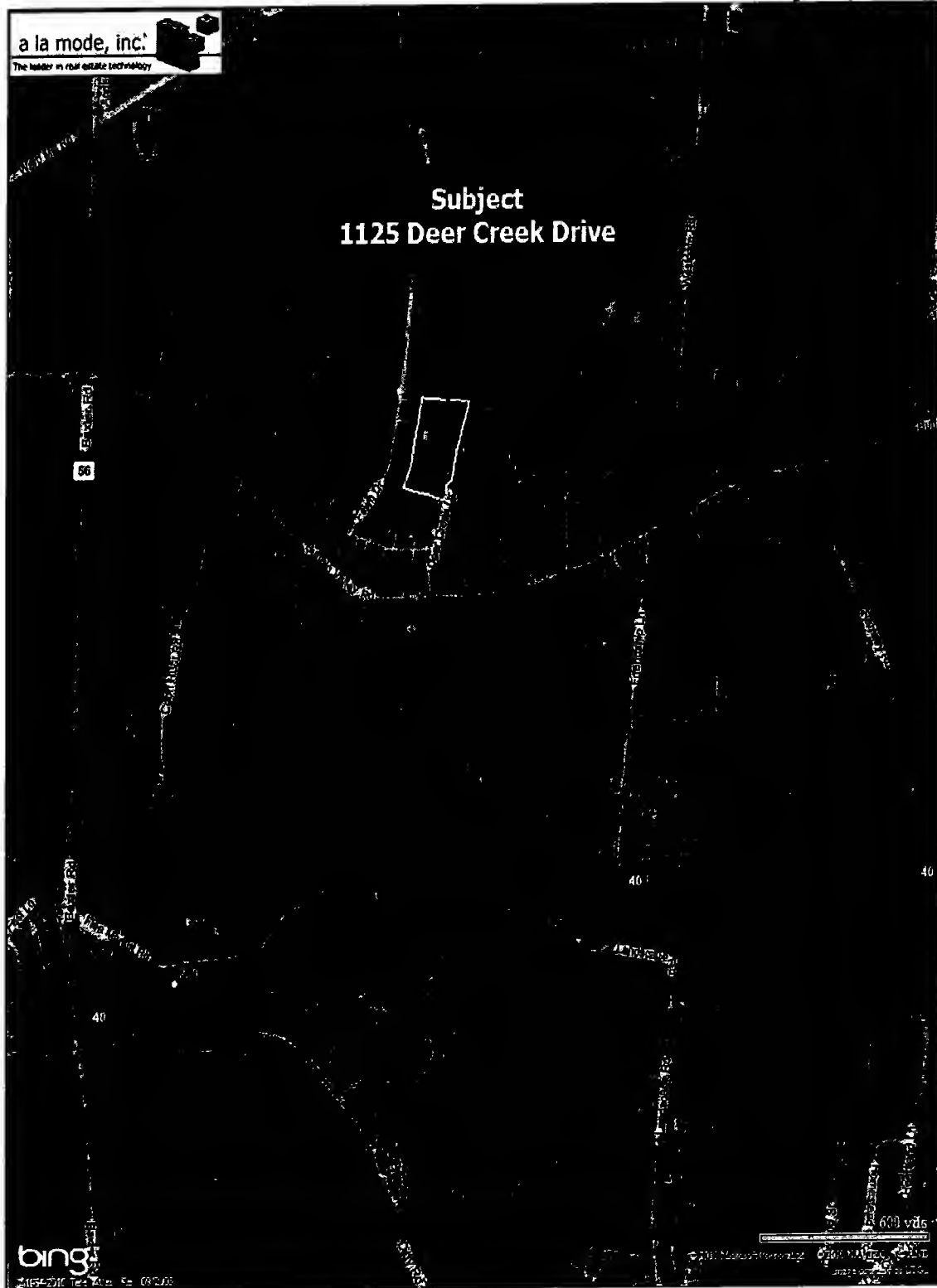


**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

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**PROPOSED INDEPENDENT LIVING COMPLEX**

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August 22, 2010

**InterFlood**



www.interflood.com • 1-800-252-6633

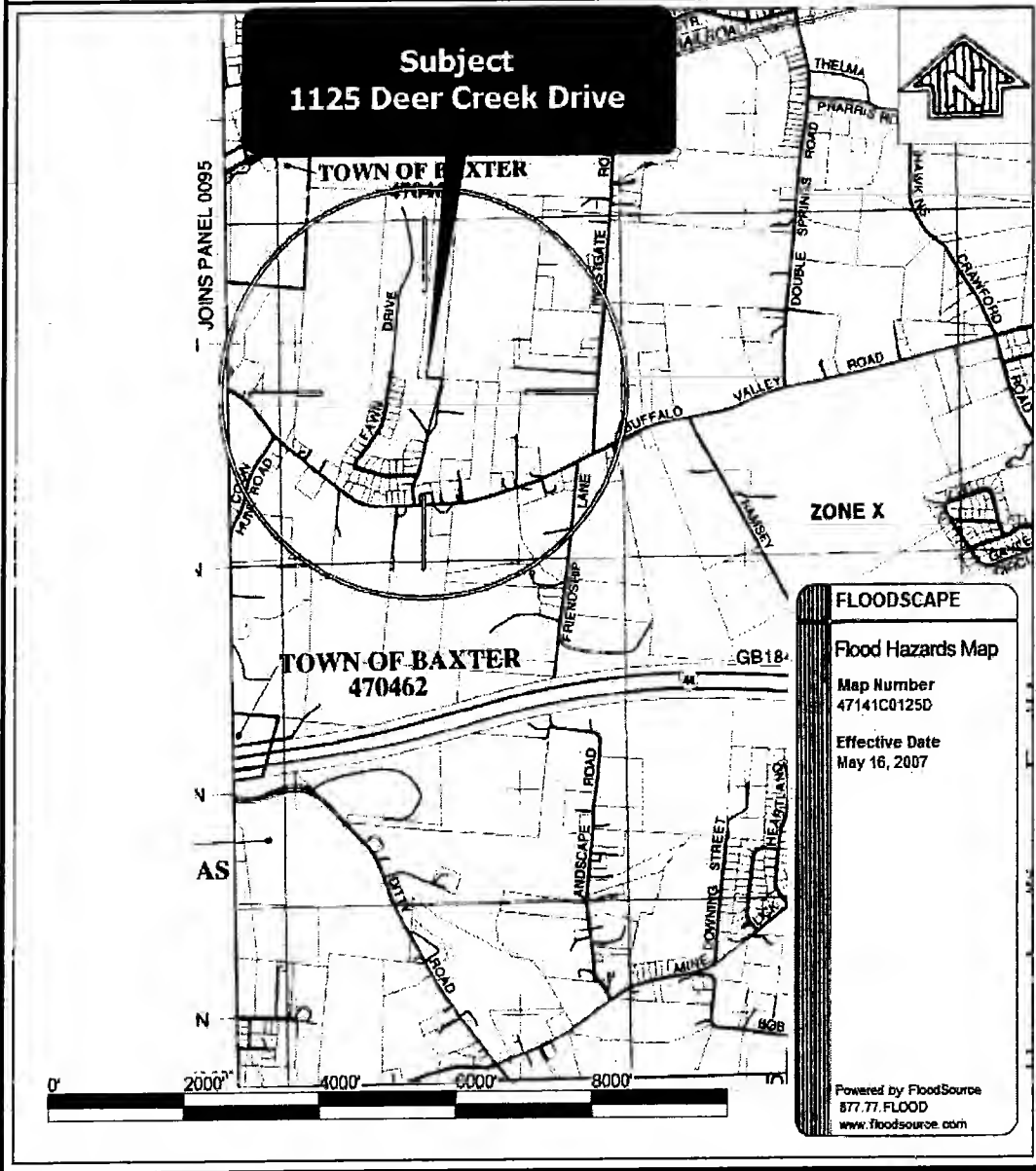
**Prepared for:**

David Mainord Appraisal Services

1125 Deer Creek Drive

Cookeville, TN 38501-6680

**Subject**  
**1125 Deer Creek Drive**



© 1999-2010 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 6,631,326 and 6,676,615. Other patents pending. For info: info@floodsource.com.

**SITE PLAN**

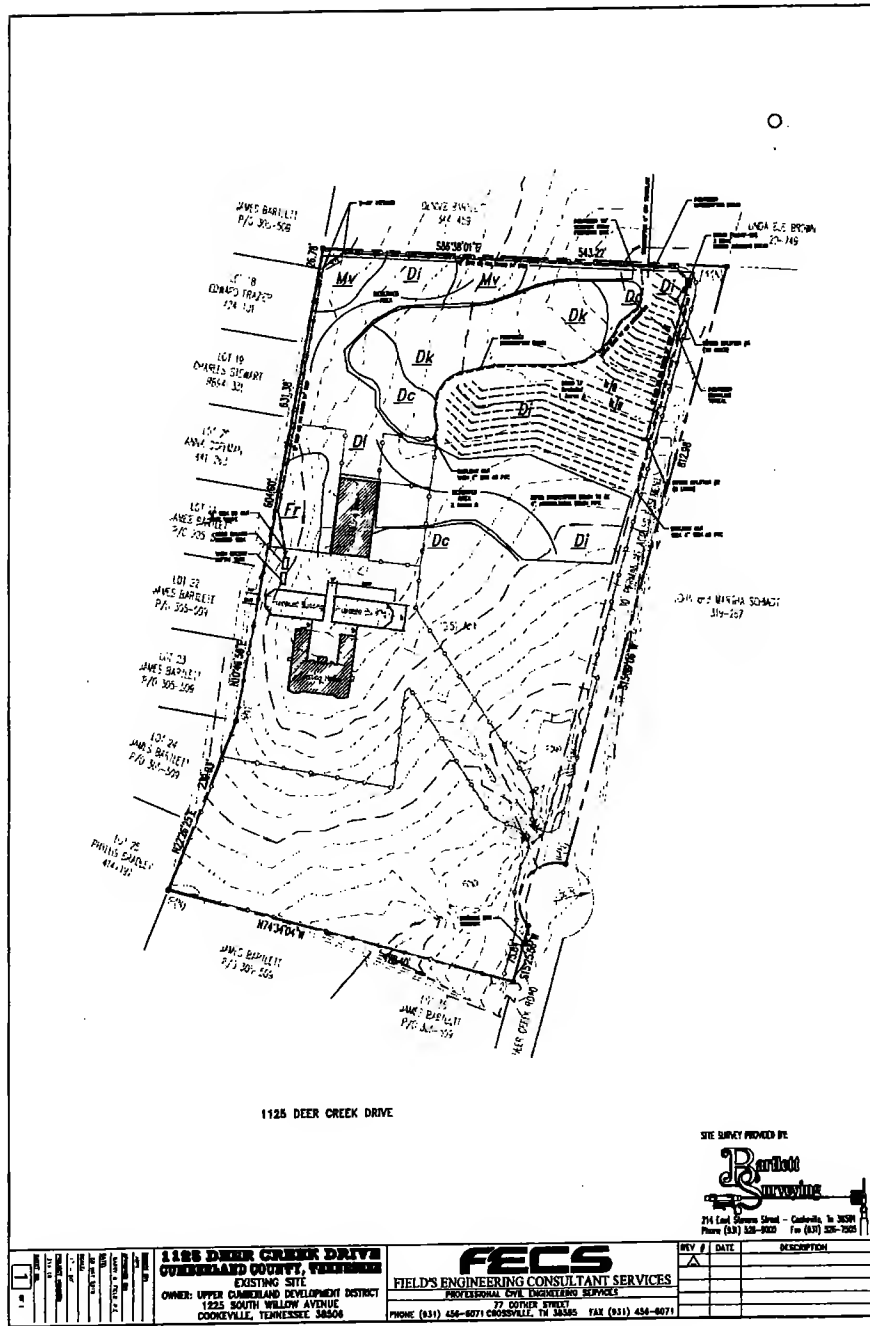


# PROPOSED INDEPENDENT LIVING COMPLEX

1125 Deer Creek Drive

Appraisal Report

August 22, 2010



## PRIMARY RESIDENCE

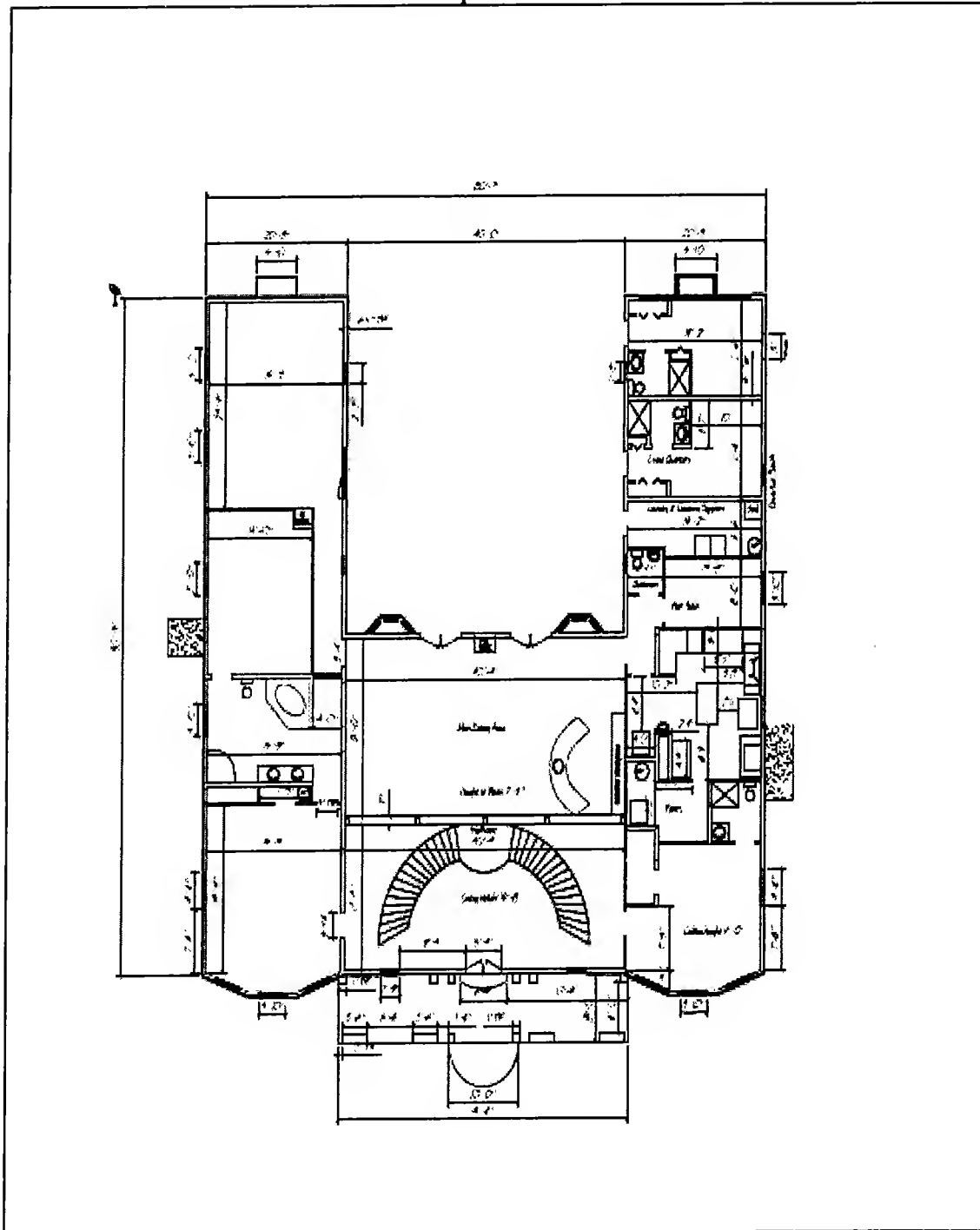
**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

**FIRST FLOOR**  
**4800 Square Feet**



**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

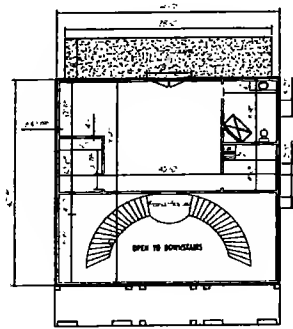
Appraisal Report

August 22, 2010

**PRIMARY RESIDENCE**

**SECOND FLOOR**

**834 Square  
Feet**



*Second Floor  
834 SF*

**PROPOSED UNITS**

**PROPOSED INDEPENDENT LIVING COMPLEX**

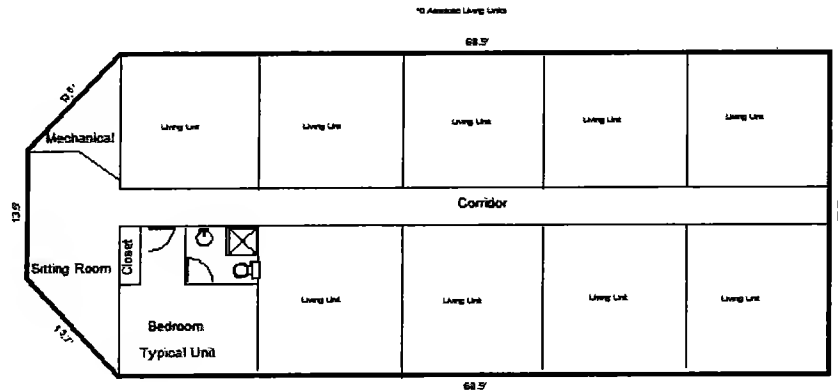
1125 Deer Creek Drive

Appraisal Report

August 22, 2010

**TWO BUILDINGS  
FLOOR PLAN**

For Information Only - Not to Scale



Drawn by: Agnes P. M.

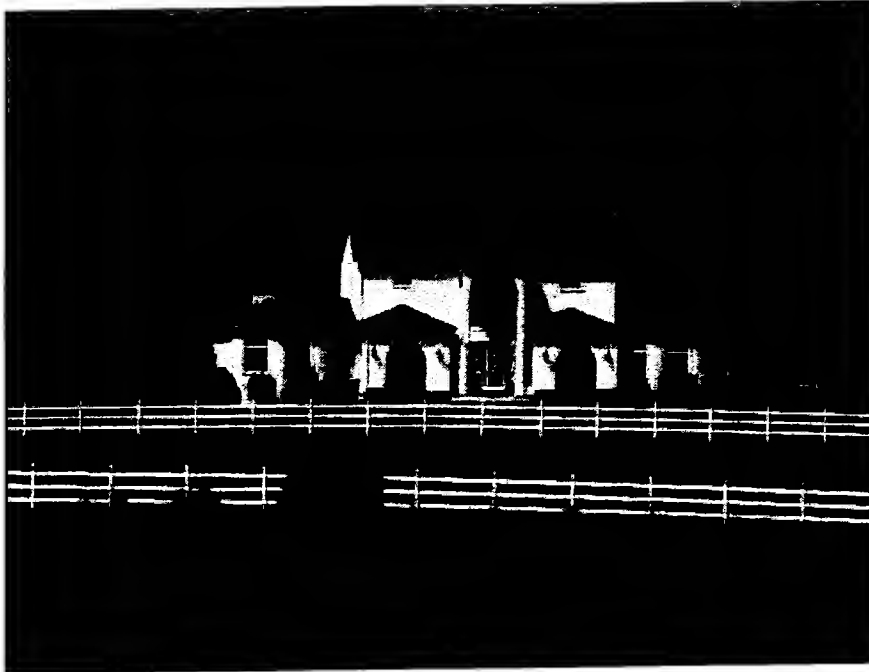
Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
01A1	FIRST FLOOR	2541.67	2541.67
TOTAL LIVABLE (rounded)			2542

LIVING AREA BREAKDOWN			
Breakdown			Subtotals
FIRST FLOOR			
33.0 x	68.0		2244.00
9.0 x	13.5		121.50
5.5 x	10.3	0.0	46.35
0.5 x	10.0	9.0	45.00
4 Calculations Total (rounded)			2542

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Front View

Main Residence

Viewed From Deer Creek  
Drive

Note: Quality of  
Construction and Level of  
Maintenance



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Front View

Main Residence

Note: Quality of  
Construction and Level of  
Maintenance

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

East Side View

Main Residence

Note: Quality of  
Construction and Level of  
Maintenance



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

West Side View

Viewed From Fawn Drive

Main Residence

Note: Quality of  
Construction and Level of  
Maintenance

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
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August 22, 2010



**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Rear View

Main Residence

Note: Quality of  
Construction and Level of  
Maintenance



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

First Floor

Foyer

Note: Quality of  
Construction and Level of  
Maintenance



**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

First Floor

Kitchen



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

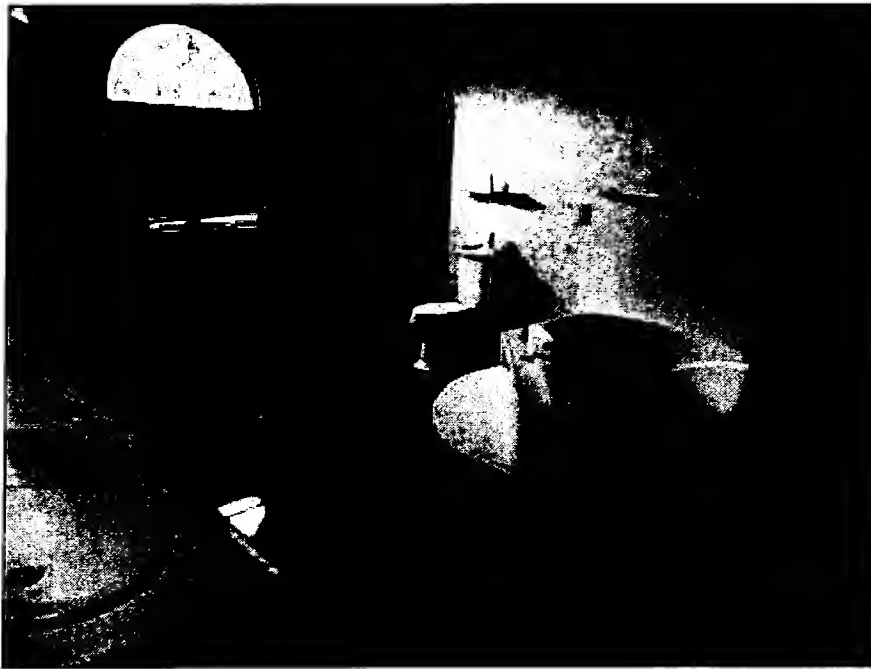
Main Residence

First Floor

Proposed Media Room

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

First Floor

Bath Room

Notes: Quality of  
Construction and Level of  
Completion



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

Second Floor

Bath Room

Notes: Quality of  
Construction and Level of  
Completion

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

First Floor

Renovations

Notes: Condition of

Structure and Foundation

is satisfactory.



**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**  
1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

Main Residence

First Floor

Renovations

Notes: Condition of

Structure and Foundation

is satisfactory.

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010



**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Barn and Storage

Type "P"

Note: Quality of  
Construction and Level of  
Maintenance



**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Interior View

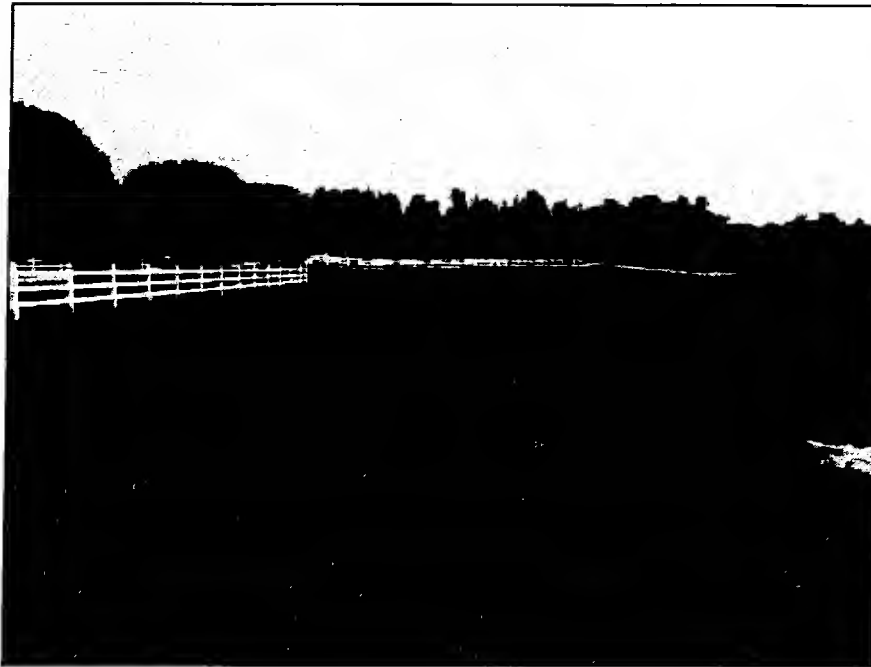
Barn and Storage

Type "P"

Note: Quality of  
Construction and Level of  
Maintenance

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010

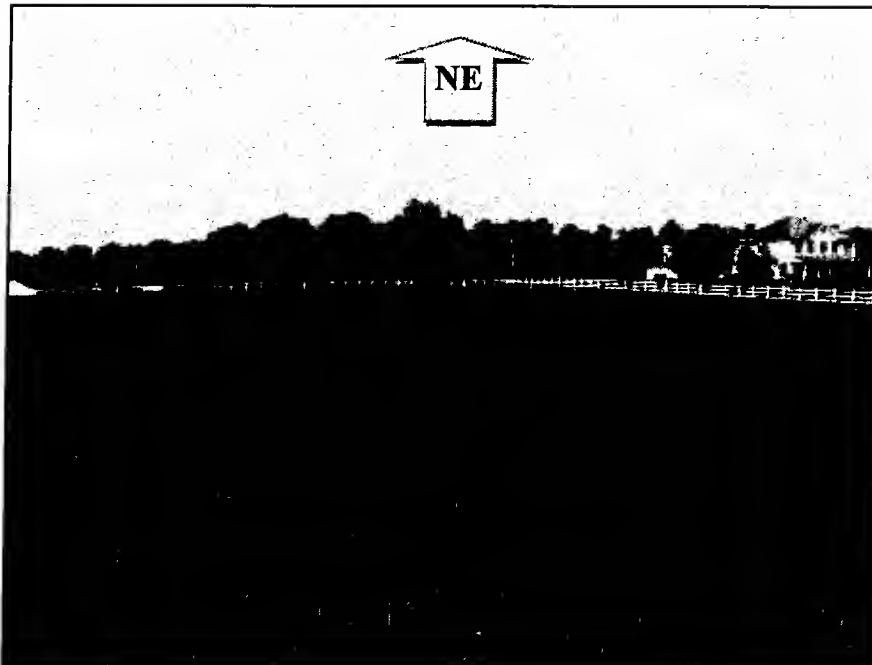


**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

View of Site



**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

View of Site



**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010

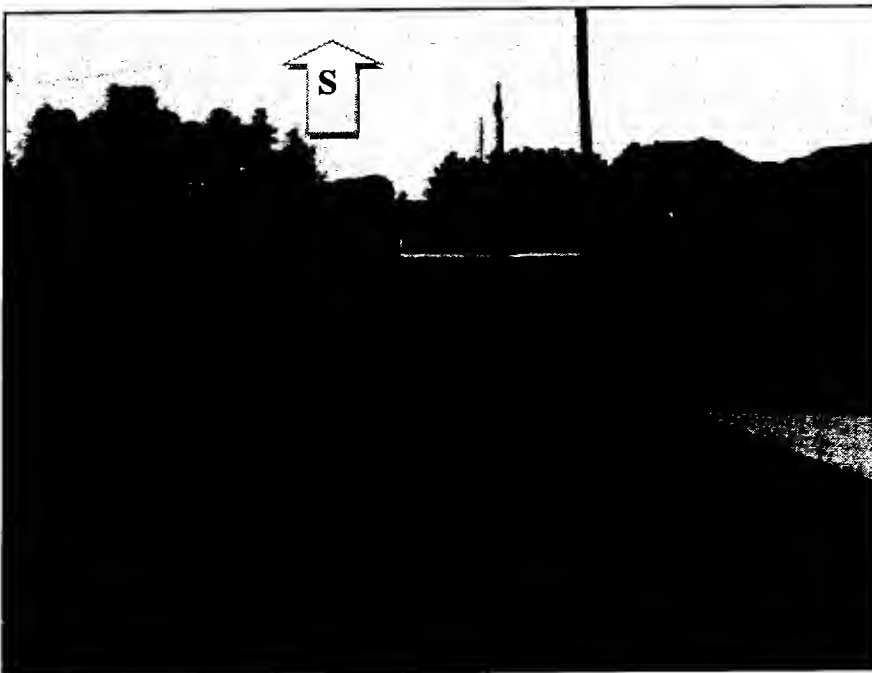
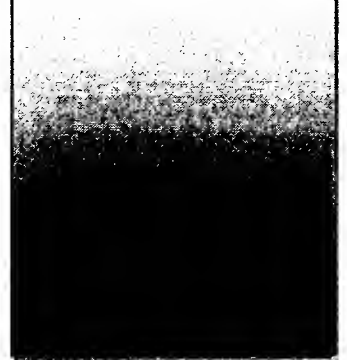


**PROPOSED  
INDEPENDENT LIVING  
COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Gated Entry to Complex



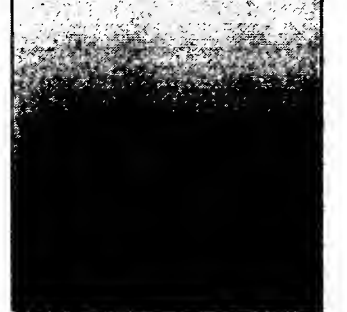
**PROPOSED  
INDEPENDENT  
LIVING COMPLEX**

1125 Deer Creek Drive  
Cookeville, TN 38501

Exterior View

Street Scene

Deer Creek Drive



**EXCESS OR SURPLUS LANDS:**

The subject site is 10.52 acres, thus, the questions are raised if there is excess or surplus lands available for potential sale and development. In the case of the subject the northern portion of the site will be utilized for the large waste water disposal system to be installed, thus would be necessary for the feasibility of the project. There is according to the survey approximately two acres in front (south) of the main residence which could be separated and sold. However, the sales price would in all probability be offset by the decrease in value and the potential loss in value of the subject by the location of dwellings in front of it. The front pastoral view would be lost and replaced with the rear view of dwellings which would possibly prevent the selection of the living units by potential residents. This is a proposed independent living project any other considerations would certainly affect the value of the proposal.



## APPROACHES TO VALUE

---

In the appraisal of a specific property one or more of the approaches to value may be either or more applicable than the others or may be impractical due to lack of suitable data in the market with which to make comparisons.

The typical and theoretical real estate appraisal includes three separate, distinct, but interrelated preliminary approaches to value, which are reconciled into a single final value conclusion. The preliminary approaches are summarized as follows:

**The Cost Approach** – is based upon the estimated reproduction cost of the improvements less accrued depreciation plus land value.

**The Sales Comparison Approach** – is a direct comparison of the property under appraisal with other similar properties, which have sold.

**The Income Approach** – considers the amount investors would likely pay for the net income, which a property can be expected to produce.

The appraisal on any particular property may sometimes result in the application of all three approaches. Quite often, one or more approaches are more suitable than others are. There are also occasions when it is expedient to use portions of an approach and/ or a combination of the approaches be used to determine the final estimate of value. The necessity for this generally arises because of unique or unusual properties or the inadequacy of data available either in quantity or quality.

In completing this appraisal assignment all three approaches shall be utilized. In an effort to maintain brevity in the discussion of each approach and assist the reader, a comprehensive addendum shall be assembled. In the discussion of each approach reference shall be made to the addenda to assist the reader to examine data at more length than is described in the discussion.

## **COST APPROACH**

### **Determination of Land Value:**

Generally, the first appearance of the land value estimate in the appraisal process occurs in the Cost Approach, if the cost approach is appropriate for the assignment. However, the land value component considered in all of the evaluation process.

Land is appraised “as if vacant” and ready to be developed into its highest and best use. If the land is improved, the land and the improvements are considered a single unit to determine the highest and best use of the property as improved. However, the USPAP is explicit in its direction about this circumstance. Standards Rule 1-3(b) states

*“Recognize that land is appraised as though vacant and available for development to its highest and best use and that the appraisal of improvements is based on their actual contribution to the site.”*

If the land is improved, the land and the improvements as a unit must be considered in selecting the highest and best use as improved. If the improvements make a substantial contribution to the property, they may tend to influence the highest and best use. If the improvements add nominal value, they may be a liability to the land, and in some cases, the value of the land is reduced by the cost of removing or changing the improvements.

Land is typically placed in the following general use classifications:

- Natural resources – mining, timber, oil and gas, etc.
- Agriculture - farming and ranching
- Residential – single and multi-family, planned unit developments
- Commercial - retail, wholesale, office and service
- Industrial – light, and heavy manufacturing, warehouses, etc.
- Recreational

### **Land Valuation Methods**

There are several methods of estimating land value. The five most common methods are:

- Sales Comparison
- Abstraction
- Allocation
- Development
- Residential

### **Land Evaluation for the Subject**

The Sales Comparison Method is selected as the most appropriate method of land evaluation for the subject site. There are land sales in the Subject’s neighborhood available for analysis.

Several land sales have been reviewed and analyzed. The most comparable sales will be used for individual consideration and discussion. The remainder will be analyzed to establish a range of value extremes for the subject. The motivation of the buyer, not necessarily the zoning and typical use of the comparable sale is a major factor considered in this report. For example, a property may be zoned commercial, but was purchased for a multi-family, which would produce more income than a commercial development.

### **Sales Comparison Method**

The Sales Comparison Method is one of the most reliable methods of estimating land value when market activity in the general area is good. In this method, a number of similar properties that have recently sold are compared to the subject property. Their dissimilar qualities in the comparable properties are adjusted to make the sales like the subject property.

Additionally, the analysis of a group of land sales provide:

- An indication of the market's preferred buying unit of comparison (i.e. acre, square foot, road frontage .etc)
- Benchmarks to establish the subject's unit range
- Indications of value trends such as appreciation or depreciation
- Measures of value fluctuations due to location or environmental influences

In estimating land value, the appraiser used three comparable land sales and one current listing. In researching the market for comparable sales, the subject's district, as well as similar competing districts was searched. Sales of properties, which contain no improvements, or improvements, which had been extracted from the land value at the time of sale, were selected. These sales are similar in location, relative to Cookeville and Putnam County, as the Subject. They are similar in competitive size, meaning they are appropriate for their use at sale time. These sites are commercial in nature. For this cause, a number of commercial sales were analysed to develop a range of values for commercial sites. A value for the subject was then selected based on this market information. These sales are recent and represent a broad spectrum of sales within the tax map area of the Subject.

The prices of various residential and commercial land classifications have been developed by land allocation utilizing information supplied by market extraction. A commercial land schedule and land supplement was developed to allow for quantitative land adjustment only. No adjustments have been determined regarding productivity. It is assumed that since the sales are within the same geographic area fertility, productivity, and commercial adaptability are comparable.

**Subject Land Classification:** Residential

**Subject Total Acres:** 10.52 Acres

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010

The above sales represent vacant acreage sites, which are located within the same market area of the subject. As typical, location, commercial adaptability, and perceived site development cost drive site costs. One can readily see the differences in values in site prices. Location and the developed state of the site especially influence these prices. The vacant land schedule is of sales of tracts from 1.5-6.00 acres, within the vicinity of the subject, and within Assessor Map 55 or an adjoining map, and has the potential for development. The sales are within the past two years. The highest sales price was \$14,238 per acre, the lowest \$6,944, the median \$9,236 and the mean \$10,098 per acre. The annual appreciate rate is zero. The Subject would be considered inferior the median and the mean due to the dispersion of the sales and the subject's larger size.

## ESTIMATED COST OF IMPROVEMENTS

## The Basis of the Cost Approach

The cost approach has historically been expected to establish the value ceiling and its creditability as a market driven approach is often questioned because of that reputation. However, the approach can yield a value estimate that is as reliable and creditable as the two other approaches to value. The estimation of depreciation is the largest and most elusive variable in the approach.

The biggest advantage to the cost approach is the finality of cost. Cost is a provable and tangible fact that can be readily supported by historical data and inquiry about current cost trends. A disadvantage to the cost approach is that actual cost is directly related to management and the type of management can change the cost, but does not necessarily

change the market value of the product. A second disadvantage of the approach is the estimation of cost and depreciation for older improvements. Building materials and building techniques change rapidly. To compound the issue of rapid obsolescence, the buying public's opinion of features changes even more frequently and rapidly.

### **The Cost Approach Process**

The steps in the Cost Approach Process are:

- Estimate the cost of the improvements
- Estimate depreciation
- Subtract the depreciation from cost new
- Add the land value to the depreciated improvement cost

### **Sources of Building Cost**

Construction Cost can be obtained from the following sources:

- General Building Contracts
- Sub-Contractors
- Lumber Companies
- Factored Historical Cost
- Cost Estimate Services

National service companies that have access to an impressive database of cost, normally national in scope publish cost estimate publications. These publications provide descriptions, written and photographic, to assist in identifying the type and quality of the subject improvements. They also include indexes and multipliers for adjusting the cost for variances due to location. These services often provide cost of labor and materials expressed separately or in composite form.

### **Types of Cost Estimates**

There are two generally recognized methods of calculation cost. They are:

- Reproduction Cost
- Replacement Cost

Reproduction Cost is the cost associated with creating an exact replica of the subject's improvements, employing the identical materials and original construction practices. This method is more appropriate for assignments involving historical structures, older improvements, or improvements with very unique characteristics.

Replacement Cost is the cost to build a structure with the same functional utility as the subject, employing present construction practices and materials. For a new structure with no functional obsolescence, this method typically equals replacement cost.

## Method Utilized in this Report

Replacement Cost is selected as the method most appropriate for the Subject's improvements.

The PROPOSED Independent Living Complex is located at 1125 Deer Creek Drive, Cookeville, Tennessee. The site is improved with a two-story residential **Main Residence** building which contains approximately 4,800 square feet of gross living area on the first floor and 834 square feet of gross living area on the second floor. The main residence was constructed circa 1995. The Main Residence building is being completely renovated to include the enclosure of the garage into two (2) living units, and interior and exterior renovations. These renovations include, but are not limited to, driveway and court yard construction with brick paving, stairs to the second floor (**Executive Living Quarters**), the addition of a waste water system to accommodate the main residence and twenty (20) living areas for the clients, steam shower additions, cabinets and appliances for the kitchen and great room, iron work for the stairway for the second floor, and carpet and ceramic for the floors. The engineer/architect's estimate of the renovations is \$285,755.

The **Assisted Living Section** of the complex is planned to be constructed. The section is proposed to consist of two (2) buildings of identical size, design, and function. Each building will contain 2,542 square feet of gross living area. Each building will contain 10 living areas. Each living area will have a bedroom, closet, and bath which contain a single sink, 4' shower and commode. The living areas will have eight foot ceilings, finished drywall with carpet and vinyl floor covering. The living areas will be handicap accessible and meet all applicable building and safety codes. The buildings will be slab-on-grade, wood frame, hip roof covered with composition shingles and stucco exterior. Each living area unit (22) will be heated and cooled with a "package unit" through the wall system.

The site contains 10.52 acres and does not appear to be located in a flood plain. The site is located approximately one mile from Baxter and eight miles from Cookeville in a rural subdivision. The development will have private sewer. See maps, photographs, and floor plans in the Highest and Best Use and Addenda Sections of the report.

## Main Residence

### **Marshall & Swift - SwiftEstimator Commercial Estimator - Summary Report**

#### **General Information**

<b>Estimate ID:</b>	Living the Dream	<b>Date Created:</b>	08-25-2010
<b>Property Owner:</b>	LTD	<b>Date Updated:</b>	08-25-2010
<b>Property Address:</b>	1125 Deer Creek Drive Cookeville, TN 38501	<b>Date Calculated:</b>	08-26-2010
<b>Local Multiplier:</b>		<b>Cost Data As Of:</b>	08-2010
<b>Architects Fee:</b>		<b>Report Date:</b>	using default

## Section 1

<b>Area</b>	5634	<b>Overall Depreciation %</b>	
<b>Stories in Section 1</b>		<b>Physical Depreciation %</b>	
<b>Stories in Building</b>	1	<b>Functional Depreciation %</b>	10
<b>Shape</b>	rectangular	<b>External Depreciation %</b>	
<b>Perimeter</b>	(auto-calc)		
<b>Effective Age</b>	5		

### Occupancy Detail

	%	Class	Height	Quality
351 Single-Family Residence	100	D	18	2.5
<b>Occupancy Total Percentage</b>	<b>100</b>			

#### System : Exterior Walls

	%/Units	Quality	Depr %	Other
892 Exterior Walls : Stud -Stucco	100	Occ.		
<b>Total Percent for Exterior Walls:</b>	<b>100</b>			

#### System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
617 HVAC (Heating) : Complete HVAC	100	Occ.		2
<b>Total Percent for HVAC (Heating):</b>	<b>100</b>			

### Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
<b>Basic Structure</b>					
Base Cost	5,634	71.23	401,310		401,310
Exterior Walls	5,634	16.94	95,440		95,440
Heating & Cooling	5,634	8.36	47,100		47,100
<b>Basic Structure Cost</b>	<b>5,634</b>	<b>96.53</b>	<b>543,850</b>	<b>0</b>	<b>543,850</b>
<b>Less Depreciation</b>					
Functional	10.0%			54,385	489,465
<b>Depreciated Cost</b>	<b>5,634</b>	<b>86.88</b>		<b>54,385</b>	<b>489,465</b>

## Independent Living Section

### **542 Motel Room, 1 Story, Double Row**

These buildings are one story with back-to-back sleeping units and no kitchens. Costs are for the guest sleeping rooms only.

#### **Typical Lives:**

Quality	Class								
	A	B	C	D	H	M	P	S	W
Low	--	--	35	30	--	--	--	30	--
Average	--	--	40	35	--	--	--	35	--
Good	--	--	45	40	--	--	--	40	--
Excellent	--	--	45	40	--	--	--	40	--

#### **Class D: Wood or Steel-Framed Exterior Walls**

Class D buildings are characterized by combustible construction. The exterior walls may be made up of closely spaced wood or steel studs as in the case of a typical frame house. Exterior covers may be wood siding, shingles, stucco, brick or stone veneer or some other type of material.

Floors and roofs are supported on wood or steel joists or trusses. The floor may be a concrete slab on the ground.

<b>Quality</b>	<b>Exterior Walls</b>	<b>Interior Finish</b>	<b>Mechanicals</b>	<b>HVAC</b>
<b>Lowest</b>	Cheap siding, no trim	Minimum finish, very plain	Minimum code throughout	Electric wall heater.
<b>Low</b>	Siding or stucco, residential sash	Drywall, carpet, asphalt tile	Minimum code, low-cost fixtures	Wall furnace
<b>Average</b>	Good stucco and siding, little ornamentation, commercial style	Drywall or plaster, few extras, carpet, vinyl composition	Adequate lighting & plumbing, TV circuits, average fixtures	Individual thru-wall heat pumps
<b>Good</b>	Brick and stone trim, large window areas, typical large chain motel	Plaster/drywall and paint, good carpet, some built-in extras	Good standard lighting & plumbing fixtures, TV circuits	Warm and cool air
<b>Excellent</b>	Face brick, stone veneer, metal and glass panels, highly decorative	Plaster and vinyl finishes, good carpet and built-in luxury items	Good lighting, many outlets, good plumbing, TV and FM circuits	Hot and chilled water

### **Marshall & Swift - SwiftEstimator Commercial Estimator - Summary Report General Information**

**Estimate ID:** Living the Dream      **Date Created:** 8-25-2010



**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

<b>Property Owner:</b>	LTD	<b>Date Updated:</b>	
<b>Property Address:</b>	1125 Deer Creek Drive Cookeville, TN 38501	<b>Date Calculated:</b>	08-25-2010
<b>Local Multiplier:</b>		<b>Cost Data As Of:</b>	08-2010
<b>Architects Fee:</b>		<b>Report Date:</b>	using default

**Section 1**

<b>Area</b>	2542	<b>Overall Depreciation %</b>
<b>Stories in Section 1</b>		<b>Physical Depreciation %</b>
<b>Stories in Building</b>	1	<b>Functional Depreciation %</b>
<b>Shape</b>	rectangular	<b>External Depreciation %</b>
<b>Perimeter</b>	(auto-calc)	
<b>Effective Age</b>	0	

**Occupancy Detail**

	<b>%</b>	<b>Class</b>	<b>Height</b>	<b>Quality</b>
<b>Occupancy</b>				
542 Motel Room, 1 Sty., Dbl. Row	100	D	8	1.5
<b>Occupancy Total Percentage</b>	100			

**System : Exterior Walls**

	<b>%/Units</b>	<b>Quality</b>	<b>Depr %</b>	<b>Other</b>
892 Exterior Walls : Stud -Stucco	100	Occ.		
<b>Total Percent for Exterior Walls:</b>	<b>100</b>			

**System : HVAC (Heating)**

	<b>%/Units</b>	<b>Quality</b>	<b>Depr %</b>	<b>Other</b>
611 HVAC (Heating) : Package Unit	100	Occ.		2
<b>Total Percent for HVAC (Heating):</b>	<b>100</b>			

**System : Sprinklers**

	<b>%/Units</b>	<b>Quality</b>	<b>Depr %</b>	<b>Other</b>
681 Sprinklers : Sprinklers	100	Occ.		
<b>Total Percent for Sprinklers:</b>	<b>100</b>			

**Calculation Information (All Sections)**

	<b>Units</b>	<b>Unit Cost</b>	<b>Total Cost New</b>	<b>Less Depreciation</b>	<b>Total Cost Depreciated</b>
<b>Basic Structure</b>					
Base Cost	2,542	53.18	135,184		135,184
Exterior Walls	2,542	9.73	24,734		24,734
Heating &	2,542	5.58	14,184		14,184

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

Cooling					
Sprinklers	2,542	2.84	7,219		7,219
<b>Basic Structure</b>					
<b>Cost</b>	<b>2,542</b>	<b>71.33</b>	<b>181,321</b>	<b>0</b>	<b>181,321</b>

**\*\*\*This SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.\*\*\***

**Barn**

50' x 100' @ \$7/SF \$35,000.

Less: Depreciation @ 80%\* \$28,000.Total \$ 7,000.

\*The barn has little function in the operation of this project, thus, contributes little value to the project as an independent living complex, therefore, as the overall project the barn would suffer from extreme functional obsolescence.

**Recapitulation:**

Site Value:	\$ 95,600.
Main Residence:	\$489,465.
Living Section Bldg One:	\$181,321.
Living Section Bldg Two:	\$181,321.
Site Work	\$ 58,755.
Barn	\$ 7,000.
<b>Total</b>	<b>\$1,013,482.</b>

**Opinion of Value By The Cost Approach:.....\$1,013,000. (Rounded)**

## **SALES COMPARISON APPROACH**

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The sales comparison approach in the appraisal process is predicated upon the theory of substitution, which, in effect, allows that no one is justified or would be willing to pay more for a parcel of real estate than they could obtain a similar property of like utilities and amenities. This approach to value begins with data collection. Information about sales activity in the appropriate market is compiled. After data is collected, it is organized and summarized in an attempt to obtain the following:

- An indication of the market's preferred buying unit of comparison
- Benchmarks for establishing the subject's unit range
- Indications of value trends such as appreciation
- Measures of value fluctuations due to location or environmental influences
- Economic multipliers, such as gross rent multiplier and revenue multipliers
- Physical multipliers, such as price per square foot, per cubic foot, per seat, per bed, per room, per bay, or perhaps per unit

Though one-to-one adjustments are not made during the analysis phase, it is likely that the subject's value is "boxed" by the prices of the sales. The number of sales collected depends on the type of assignment and the activity level of the market. These sales may be collected indiscriminately with limited regard for their individual characteristics and still have value in the evaluation process. Large numbers of sales provide statistical support for the value extremes for the property type represented in the market sample. Sales are not the only transactions that provide insight to the value of a subject property. Other indicators are:

- Pending Sales
- Active Listings
- Expired Listings

A pending sale has met all the criteria as quoted in the definition of market value except one and is certainly an indicator of value. A pending sale of a property very similar to the subject may be a better indicator of value than a closed sale of a lesser quality comparable.

The creditability of active listings is always suspected. There is the possibility that the property is listed above its value and it has not passed the test of the meeting of the minds of a buyer and seller. However, there are several logic tests that one may apply in the evaluation process. One is the test of reasonableness, which in some cases could be termed the test of absurdity. Using that logic, it is not realistic to believe that someone will purchase the subject property if a likely property is available for a lesser price. The examination of active listings will often define an upper value limit for the subject. However, there may be an additional consideration the comparison process for the normal listing variance in the listed property's location.

Expired listings also measure the market's reaction. The fact that a property was listed for several months at \$250,000 without an offer is a valid consideration; especially if the subject property was similar. It is assumed that the most logical assumption is that the

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subject is worth less than the listed price of the expired listing. However, the timing of the listing is a factor that must be considered in the analysis because the current market may react differently than the past market in which the listing was offered.

After the data is collected and analyzed, one or more of the following processes can obtain the value estimate:

1. Comparing the physical differences between each comparable and the subject, then make individual adjustments to the comparable for those dissimilarities, or
2. Apply the economic multipliers to the subject's income, or
3. Applying the physical multipliers to the subject's physical components to arrive at an estimate of value.

NO sales, recent or otherwise, of independent living facilities were found in Cookeville or the surrounding counties. The subject is very extraordinary in that it is composed primarily of a large single-family residence which will be used to facilitate the 22 living units. The most comparable to the subject is the recent sales of large homes in the area. As a result, I have taken these sales and determined the mean, median, and Excel forecast values and applied them to the subject. The subject is a very large single family dwelling which, after renovation, will contain approximately 5,634 square feet of gross living area.

The purpose of the Sales Comparison Approach is to compare the Subject with properties of like qualities that has recently sold. This becomes difficult when properties, such as independent living facilities, are compared due to the uniqueness and individuality of these properties. Each facility, in effect, has been developed for specific uses, hence, making physical comparison often more difficult. Typically, in appraisal practice, an appraiser locates sales of properties and pairs them according to similarities then evaluates the market response. In the case of residential properties, such as independent living facilities, where there may be few physical similarities, the appraiser must develop alternative means of comparisons, which are still based from market response. After all, the market is what people are willing to do and, thus, is an important indicator of value. The following sales analysis has been developed to assist in this evaluation. Supporting documentation is found in the addenda and, in the case of confidential information, found in the appraiser's files.

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## Comparable Sales Data:

### Sale One

<b>MLS #: RR1400926 (Sold) List Price: \$550,000</b>		<b>885 CANTER Lane COOKEVILLE, TN 38866</b>	
<b>SOLD PRICE: \$475,000</b>		<b>SOLD DATE: 2/16/2010</b>	
<b>SELLING OFFICE (NAME): First Realty Company (N A)</b>		<b>PROPERTY: Conventional</b>	
<b>SELLER CONDITION: No</b>		<b>SELLING AGENT (NAME): Delores Ford (#118)</b>	
<b>SOLD AT AUCTION: No</b>		<b>SELLING COMMENT: -</b>	



**BEDROOMS: 4**  
**FULL BATHS: 4**  
**PARTIAL BATHS: 2**  
**APR SQFT: 5708**  
**APR SQFT RANGE: 3000+**  
**LEVELS: 2 Story**  
**YEAR BUILT: 1996**  
**BASEMENT: Yes**

**AREA: Cookeville SE TN**  
**ADDRESS:**  
**COUNTY: Putnam**  
**SUBDIVISION: Capshaw**  
**SUB TO WHAT SCHOOL:**  
**ZONING:**

<b>LOT DIMENSIONS: 68.75x175.40 (RR)</b>		<b>APR (SACRED) (4x1)</b>	
<b>CONTROL: 050M</b>		<b>MAP: 053W</b>	
<b>DEED BOOK: 388</b>		<b>PARCEL: 210.01</b>	
<b>ELECTRIC SUPPLY FROM: CITY OF COOKEVILLE</b>		<b>CITY TAXES: 967.02</b>	
<b>PAGE: 119</b>		<b>COUNTY TAXES: 2181.50</b>	
<b>GAS SUPPLY FROM: CITY OF COOKEVILLE</b>		<b>MOA: MOA DUES:</b>	
<b>WATER SUPPLY FROM: CITY OF COOKEVILLE</b>		<b>WATER SUPPLY FROM: CITY OF COOKEVILLE</b>	

	LA	Apex Size:	Bath	Est	Living Rm:	LA	Apex Size:	Est.
Master Bdrm	M	13'4X20	F		Family/Guest Ktn	M	17'X13'7	
Bedroom 2	U	13'6X17'8			Laundry Rm	M	20'X13'10	
Bedroom 3	U	17'X13'5			Bonus Rm	B	16'8X39'2	
Bedroom 4	U	13'X20'6			Other Rm 2:	U	11'11X21'5	
Bedroom 5:	M	17'X13			Other Rm 3:	M	17'2X21'4	
Kitchen	M	13'X13'10						
Dining Rm								

**APPLIANCES:** Dishwasher, Garbage Disposal, Refrigerator, Electric Range/Oven, Microwave, Double Oven  
**FINISHES:** One Gas Log, In Family Room  
**INTERIOR FEATURES:** Hardwood Floors, Tile Floors, Carpet, Air Tub, Wet Bar, Ceiling Fans, Smoke Detector, Garage Door  
**EXTERIOR FEATURES:** Paved Streets, Concrete Driveway  
**PATIO/DECK:** Porch Covered, Covered Patio, Open Deck  
**WATER FRONTAGE/VIEW/DESCRIPTION:**  
**CAR STORAGE CAPACITY: 3**  
**MOA INCLUDES/AMENITIES:**

**CONSTRUCTION:** Frame  
**EXTERIOR MATERIAL:** Brick  
**ROOF:** Composition  
**BASEMENT/STRUCTURE:** Full Basement, Walk Out  
**Completing Finished**  
**HEATING:** Natural Gas, Central Heat Pump  
**COOLING:** Central Air  
**WATER:** City Water  
**SEWER:** City Sewer  
**GAS:** Natural Gas

**DIRECTIONS:** FROM POCH S ON WASHINGTON, LEFT ON STEVENS, RIGHT INTO CAPSHAW WOODS, LEFT ON HERMITAGE, LEFT ON CANTER, HOUSE ON LEFT.

**PUBLIC REMARKS:** LOCATED ON 5 ACRE IN BOUNTY AFTER CAPSHAW WOODS. EASILY ENTERTAIN OR JUST LIVE COMFORTABLY WITH SUCH A LARGE AMOUNT OF SQUARE FT. GORGEOUS HARDWOOD FLOORS ON MAIN LEVEL UPPER LEVEL AND WALK IN CLOSETS (BIG ENOUGH TO BE ADDITIONAL ROOMS THEMSELVES) 2 JACUZZI TUBS (1 WITH THERAPY KIT). OVERSIZED HOME OFFICE (360 SQ FT) WITH SEPERATE OUTSIDE ENTRANCE. SEPERATE SEPTIC SYSTEM AND LARGE PHONE SYSTEM. FINISHED WALK OUT BASEMENT PERFECT FOR MEDIA/GAME ROOM. FULL KITCHEN WITH APPLIANCES FULL BATH. HUGE WALK IN AND TILED FLOORS. 1200 SQ FT OF UNFINISHED SQ FT AS WELL.

**ADDENDUM:**

**AGENT ONLY:**

<b>FOR SALE/RENT: 0</b>	<b>DOCUMENTS/AGREEMENTS: 0</b>	<b>MONTHLY RENT:</b>
<b>POSSESSION: NEGOTIABLE</b>	<b>AS IS:</b>	<b>WARRANTY PROGRAM:</b>
<b>SA COMP: 3</b>	<b>VAR: No</b>	<b>EXCLUSIVE RIGHT TO SELL: Yes</b>
<b>OWNER: CHAFFIN</b>	<b>RATE:</b>	<b>DOWN PAYMENT:</b>
<b>OWNER TERMS OFFERED: No</b>		<b>LOCKBOX SERIAL #:</b>
<b>EARNEST MONEY REQUESTED:</b>		
<b>SHOWING INSTRUCTIONS:</b> Appointment Only, Electronic Lockbox, Listing Agent Must Accompany		
<b>DOCUMENTS ON FILE:</b> Property Condition		

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## Sale Two

<b>MLS #: RR1456365 (Sold) List Price: \$344,900</b>		<b>343 HERMITAGE AVE COOKEVILLE, TN 38501</b>	
<b>SOLD PRICE: \$332,500</b>		<b>SOLD DATE: 6/15/2010</b>	
<b>SELLING OFFICE NAME: American Vray Real Estate (FBI)</b>		<b>FINANCING: Other</b>	
<b>SELLER CONCESSION: 0</b>		<b>SELLING AGENT NAME: Susan Hogan (R 5*)</b>	
<b>SOLD AT AUCTION: No</b>		<b>SELLING COMMENT: N/A</b>	



**APPROXIMATE: 5**  
**FULL BATH: 4**  
**PARTIAL BATH: 0**  
**APPROXIMATE: 3902**  
**APPROXIMATE: 3000+**  
**APPROXIMATE: 2 Story**  
**YEAR BUILT: 1999**  
**BASEMENT: Yes**

**AREA: Cookeville SE, TN**  
**ADDRESS: 343**  
**COUNTY: Putnam**  
**SUBDIVISION: Capshaw Wd**  
**LOT: 10**  
**SCHOOL: 0117**

<b>LOT: 10</b>	<b>APPROXIMATE: 270.35X155</b>	<b>APPROXIMATE: 0.41</b>	<b>MAP: 053K</b>	<b>GROUP: F</b>
<b>CONTROL: 053K</b>	<b>PAGE: 137</b>	<b>CITY TAXES: 766.00</b>	<b>COUNTY TAXES: 2264.00</b>	<b>HOA DUES:</b>
<b>DEED BOOK: 378</b>	<b>ELECTRIC SUPPLY FROM: CITY OF COOKEVILLE</b>	<b>GAS SUPPLY FROM: CITY OF COOKEVILLE</b>	<b>WATER SUPPLY FROM: CITY OF COOKEVILLE</b>	<b>HOA DUES:</b>

Master Bdrm	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Kitchen	Dining Rm	Living Rm	Family/Great Rm	Laundry Rm	Bonus Rm	Other Rm 2	Other Rm 3

**APPLIANCES:** Dishwasher, Garbage Disposal, Refrigerator, Electric Range/Oven, Microwave  
**FINISHES:** Three  
**INTERIOR FEATURES:** New Floor Covering, New Paint, Hardwood Floors, 1st Floor, Carpet, Jet Tub, Vaulted Ceilings, Garage  
**EXTERIOR FEATURES:** Paved Streets, Concrete Driveway  
**PARTICULARS:** Porch Open  
**WATER FRONTAGE VIEW DESCRIPTION:**  
**CAR STORAGE CAPACITY:** 3  
**HOA INCLUDES MAINTENANCE:**  
**CONSTRUCTION:** Frame  
**EXTERIOR MATERIAL:** Brick  
**ROOF:** Composition  
**BASEMENT/STRUCTURE:** Full Basement, Walk Out  
**HEATING:** Natural Gas  
**COOLING:** Central Air  
**WATER:** City Water  
**SEWER:** City Sewer  
**GAS:** Available  
**DIRECTIONS:** FROM PCH. SOUTH ON LOWE, LEFT ON E STEVENS, ENTER CAPSHAW WOODS, LEFT ON HERMITAGE, HOUSE ON RIGHT  
**PUBLIC REMARKS:** DEAL OR NO DEAL! HOUSE IS LISTED \$35,000 BELOW APPRAISAL. LARGE BRICK HOME WITH A FULL BASEMENT, Located 1st Capshaw Woods. Close to everything, 3 BD, 4 BA, 20 FOOT CEILING IN THE LIVING ROOM Crown molding everywhere. FORMAL DINING, FORMAL LIVING, CHECK OUT THE LARGE MASTER WITH SEE THROUGH FIREPLACE and sunroom area. LARGE MASTER BATH with a fireplace and tray ceiling. Large kitchen with open breakfast area. HARDWOOD FLOORS, over 3002 Square foot Big lot. Roof is 2 years old Heating and cooling unit is 2 years old. Basement has a third garage! Great location! Capshaw woods! Must see! Hurry!!

**ADDENDUM:**

**AGENT ONLY:**

<b>FOR SALE/RENT: 0</b>	<b>OCCUPIED/VACANT/RENTED: OCCUPIED</b>	<b>MONTHLY RENT:</b>
<b>POSSESSION: WITH DEED</b>	<b>ADJ: 0</b>	<b>WARRANTY PROGRAM:</b>
<b>SA COMP (1/30): 3</b>	<b>VARIABLE: No</b>	<b>EXCLUSIVE RIGHT TO SELL: Yes</b>
<b>OWNER: MEDVD</b>	<b>RATE:</b>	<b>MIN DOWN PAYMENT:</b>
<b>OWNER TERMS OFFERED: No</b>	<b>LOCKBOX SERIAL #: 53282946</b>	
<b>EARNST MONEY REQUESTED:</b>		
<b>SHOWING INSTRUCTIONS: Appointment Only, Electronic Lockbox</b>		
<b>DOCUMENTS ON FILE:</b>		
<b>BOX: Yes</b>	<b>DISPLAY ON INTERNET: Yes</b>	<b>DISPLAY ADDRESS: Yes</b>
		<b>VOW/AVM: No</b>

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## Sale Three

<b>MLS #: RR148674S (Sold) List Price: \$369,900</b>		<b>1152 Sheraton COOKEVILLE, TN 38501</b>	
<b>SOLD PRICE: \$356,000</b>		<b>SOLD DATE: 7/15/2010</b>	
<b>SELLING OFFICE NAME: American Way Real Estate (#15)</b>		<b>PRINCIPAL: Conventional</b>	
<b>SELLER CONCESSION: 0</b>		<b>SELLING AGENT NAME: Sonja Brown (#52)</b>	
<b>SOLD AT AUCTION: No</b>		<b>SELLING COMMENT: NA</b>	

<b>BEDROOMS: 5</b>		<b>BATHS: 4</b>	
<b>PARTIAL BATHS: 0</b>		<b>APX SQFT: 4057</b>	
<b>APX SQFT RANGE: 3000+</b>		<b>LEVELS: 2 Story</b>	
<b>YEAR BUILT: 1997</b>		<b>BASEMENT: No</b>	

<b>AREA: Putnam Co NE, TN</b>		<b>ADDRESS:</b>	
<b>COUNTY: Putnam</b>		<b>SUBDIVISION: Sheraton</b>	
<b>DUE TO WHAT SCHOOL: capshaw</b>		<b>ZONING:</b>	

<b>LOT DIMENSIONS: 110 x 133.33</b>		<b>APX LOT SQFT:</b>	
<b>APX ACRES: 0.0</b>		<b>GROUP: H</b>	
<b>CONTROL: H</b>		<b>MAP: 052</b>	
<b>DEED BOOK: 007</b>		<b>PAGE: 03</b>	
<b>ELECTRIC SUPPLY FROM: city</b>		<b>CITY TAXES: 625</b>	
<b>PARCEL: 52</b>		<b>COUNTY TAXES: 1845</b>	
<b>APX SQFT RANGE: 3000+</b>		<b>WATER SUPPLY FROM: city</b>	
<b>LEVELS: 2 Story</b>		<b>WATER TYPE ON PROPERTY: None</b>	
<b>YEAR BUILT: 1997</b>		<b>BASEMENT: No</b>	

<b>Master Bdrm</b>	<b>Living Rm</b>
<b>Bedroom 2</b>	<b>Family/Great Rm</b>
<b>Bedroom 4</b>	<b>Laundry Rm</b>
<b>Bedroom 5</b>	<b>Breakfast Rm</b>
<b>Kitchen</b>	<b>Other Rm 2</b>
<b>Dining Rm</b>	<b>Other Rm 3</b>

**APPLIANCES:** Dishwasher, Garbage Disposal, Electric Range/Oven, Microwave, Range Hood, Central Vacuum

**FINISHES:** One

**INTERIOR FEATURES:** New Floor Covering, New Paint, Hardwood Floors, Tile Floors, Carpet, Jet Tub, Intercom, Ceiling Fans, Vaulted Ceiling(s), Smoke Detector, Garage Door Opener, Security System, Walk in Closet, Cable, Satellite

**EXTENSION FEATURES:** Concrete Driveway, Outdoor Lighting

**PAVING:** Open Patio

**WATER FRONTAGE VIEW DESCRIPTION:**

**CAR STORAGE CAPACITY: 3**

**CAR STORAGE TYPE: Garage Attached**

**WATER HEATER: Electric**

**ELECTRIC: Breaker**

**WINDOWS/DOOR TREATMENTS: Double Pane**

**LAUNDRY: Main Level**

**LOT DESCRIPTION: View**

**LANDSCAPING: Sprinkler System, Trees, Garden Area**

**Decorative Lighting**

**WATER TYPE ON PROPERTY: None**

**DIRECTIONS:** Hwy 111 W to Spring, Exit L on Spring st, R on Old Kentucky rd, L on Sheraton Dr. House on the right

**PUBLIC REMARK:** An exquisite custom 2-story brick home featuring 4057 square feet of living area. All brick home in the upscale Sheraton Court subdivision. Large beautiful master on the main level with grey ceiling and hardwood floors. The Master bathroom has marble floors and a huge walk-in closet. Formal living room with 20 foot ceilings. Huge beautiful kitchen with Corian counter tops. Formal dining room, hardwood floors in all living area. A brand new efficient heating and cooling unit. Open patio and tons of storage and closet space. Central vacuum, Central Intercom, Central Security and Fire Alarm system. Custom made drapes on all main windows. Beautiful new plan. Elegant, charming home located on the largest lot in the area. Call Sonja Brown at 615-266-1111 for more information. See below appraisal. Great Deal!

**ADDITIONAL:**

**AGENT ONLY:**

<b>FOR SALE/RENT: S</b>	<b>OCCUPIED/VACANT/RENTED: OCCUPIED</b>	<b>MONTHLY RENT:</b>
<b>POSSESSION: with deed</b>	<b>AS IS: Yes</b>	<b>WARRANTY PROGRAM: None</b>
<b>SALE PRICE: 1K</b>	<b>FACTOR COMP: 1K</b>	<b>VARIABLE: Yes</b>
<b>SHOWING: Please Call Agent</b>	<b>OWNER TERMS OFFERED: No</b>	<b>EXCLUSIVE RIGHT TO SELL: Yes</b>
<b>GARNET MONEY REQUESTED:</b>	<b>RATE:</b>	<b>MIN DOWN PAYMENT:</b>
<b>SHOWING INSTRUCTIONS: Appointment Only, Electronic Lockbox</b>	<b>LOCKBOX SERIAL #: 53263201</b>	
<b>DOCUMENTS ON FILE:</b>		

<b>IDX: Yes</b>	<b>DISPLAY ON INTERNET: Yes</b>	<b>DISPLAY ADDRESS: Yes</b>	<b>VIEW RMV: Yes</b>
<b>WON/LOST: Yes</b>	<b>REQ: No</b>	<b>UC DATE: 5/15/2010</b>	<b>CLSDGT: 7/16/2010</b>



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## Sale Four

MLS #: RR1389535 (Sold) List Price: \$379,000

303 Enclave Circle Cookeville, TN 38508

SOLD PRICE: \$367,000

SOLD DATE: 8/28/2009

STANDARD: Conventional

SELLING OFFICE NAME: American Way Real Estate (# 6)

SELLING AGENT NAME: Peter Grims (#118)

SELLER CONCESSION:

SELLING COMMENT:

SOLD AT AUCTION:



BEDROOMS: 4  
FULL BATHS: 3  
PARTIAL BATHS: 1  
APX SQFT: 4057  
APX SQFT RANGE: 3000-  
LEVELS: 2 Story  
YEAR BUILT: 2008  
BASEMENT: Yes

AREA: Putnam Co NE TN  
ADDRESS:  
COUNTY: Putnam  
SUBDIVISION: White Pt  
BUS TO WHIT SCHOOL:  
ZONING: R-1

LOT DIMENSIONS: 72 x 200

APX ACRES: 0

CONTROL: 041E

DEED BOOK: RB242

ELECTRIC SUPPLY FROM:

RANGE: 749

PARCEL: 122 00

CITY TAXES: N/A

GAS SUPPLY FROM:

MAP: 041E

APX LOT SQFT:

GROUP: A

BASINETS:

NON:

HOA DUES: \$150/yr

WATER SUPPLY FROM:

	Lvl	Appt. Size	Bath	Est.		Lvl	Appt. Size	Rm.
Master Bdrm.	M				Living Rm	M		
Bedroom 2	U				Family/Great Rm	M		
Bedroom 3	U				Laundry Rm	M		
Bedroom 4	U				Bonus Rm			
Bedroom 5					Other Rm 2			
Kitchen	M				Other Rm 3			
Dining Rm	M							

APPLIANCES: Dishwasher, Garbage Disposal, Refrigerator, Gas Range/Oven, Electric Range/Oven, Microwave

FIREPLACE: One, Gas Log, In Living Room

INTERIOR FEATURES: Hardwood Floors, Tile Floors, Carpet, Jet Tub, Ceiling Fan(s), Vaulted Ceiling(s), Smoke Detector, Garage

Door Opener, Walk in Closet, Cable

EXTENSION FEATURES: Paved Streets, Concrete Driveway

PATIO/DECK: Porch Covered, Open Patio

WATER FRONTAGE VIEW DESCRIPTION: None

CAR STORAGE CAPACITY: 3

CAR STORAGE TYPE: Garage Attached

HOA INCLUDES/AMENITIES: Rec Facilities, Pool, Tennis

CONSTRUCTION: Frame

EXTENSION MATERIALS: Brick, Hardie Panel Siding

ROOF: Composition

BASEMENT SUBSTRUCTURE: Full Basement, Brick Foundation

Walls Out, Partial Finished

HEATING: Electric, Central, Heat Pump

COOLING: Central Air

WATER: City Water

SEWER: Sewer

GAS: Insulated, Natural Gas

DIRECTIONS: From PCH, L on Broad to Buck Min, L onto Old Quail, R onto Plantation Drive, Left onto Enclave, Home on Corner lot in sign

PUBLIC REMARKS: Beautiful custom built home features over 4000 SF, 4 bedrooms, 3.5 baths, eat-in kitchen with seamless steel appliances and butcher block peninsula, family room with beautiful fireplace with built-ins, formal areas, laundry room on each floor, bonus room, office, extensive molding throughout, 2-car garage, plus partially finished basement with 20' x 20' recreational room & additional golf cart storage. Wonderful views of White Plains Golf Course. Appointment only

ADDENDUM: - 30 Year Architectural shingles. Kitchen island stays with home. basement garage used for golf cart storage. CRS says SF is 3587. Rec Room in Basement in the process of being completed.\*\*\* Buyer to verify all above information \*\*\*

AGENT ONLY: - Earnest Money Check Must be Made Out and Paid to HAI Realty. Agents ALWAYS Leave Business Cards- ELB or Fred Dow

FOR SALE/RENT: 8

OCCUPIED/VACANT/RENTED: Occupied

MONTHLY RENT:

POSSESSION: Negotiable

AS IS: No

WARRANTY PROGRAM:

SA-COMP (%): 3

PAC COMP (%): 3

VARIABLE:

EXCLUSIVE RIGHT TO SELL: Yes

OWNER: Ray

RATE:

MIN DOWN PAYMENT:

OWNER TERMS OFFERED: No

EARNEST MONEY REQUESTED: \$8000

LOCKBOX SERIAL#:

SHOWING INSTRUCTIONS: Appointment Only, Electronic Lockbox

DOCUMENTS ON FILE: Property Condition

NOX: Yes

DISPLAY ON INTERNET: Yes

DISPLAY ADDRESS: Yes

NOX-AMM:

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**Sale Five**

No Photo Available  
1472 Bradshaw Blvd  
Map 96K B 17.00  
Hickory Flatts S/D  
Sale Date – 7/21/09  
Sale Price - \$418,000  
Gross Living Area – 4,583 SF

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## Sale Six

MLS #: RR1480243 (Sold) List Price: \$459,800		915 E 6th Street COOKEVILLE, TN 38501	
SOLD PRICE: \$420,500		SOLD DATE: 8/24/2010	
SELLING OFFICE NAME: Hll Realty (P. 00)		FINANCING: Cash	
SELLER CONCESSION: -		SELLING AGENT NAME: Donna Hill (P. 42)	
SOLD AT AUCTION: No		SELLING COMMENT: -	



**BEDROOMS:** 5  
**FULL BATHS:** 4  
**PARTIAL BATHS:** 2  
**APX SQFT:** 4200  
**APX SQFT RANGE:** 3000+  
**LEVELS:** 2 Story  
**YEAR BUILT:** 1977  
**BASEMENT:** No

**AREA:** Cookeville NE TN  
**ADDRESS:**  
**COUNTY:** Putnam  
**SUBDIVISION:** Dr. J.P. Terry Farm  
**SEG TO WHAT SCHOOL:**  
**ZONING:** R-1

LOT DIMENSIONS: 150x199.7		APX LOT SQFT: 22001-32000 SqFt	
APX ACRES: 0.5085		MAP: 063D	
CONTROL: 063D		GROUP: C	
DEED BOOK: RB390		PARCEL: 006.00	
RANGE: 734		CITY TAXES: 748.07	
ELECTRIC SUPPLY FROM: City of Cookeville		COUNTY TAXES: 2357.75	
GAS SUPPLY FROM: City of Cookeville		HOA: No	
WATER SUPPLY FROM: City of Cookeville		HOA DUES:	

	Lvl	Apk Size	Bath	Eat	Living Rm	Lvl	Apk Size	Bath
Master Bdrm	M				Living Rm	M		
Bedroom 2	M				Family/Great Rm	M		
Bedroom 3	M				Laundry Rm	M		
Bedroom 4	U				Bonus Rm	U		
Bedroom 5	U				Other Rm 2	M		
Kitchen	M				Other Rm 3	M		
Dining Rm	M							

**APPLIANCES:** Dishwasher, Garbage Disposal, Gas Range/Oven, Microwave, Double Oven, Central Vacuum  
**FINISHES:** One Gas Log, In Living Room  
**INTERIOR FEATURES:** New Paint, Hardwood Floors, Tile Floors, Carpet, Smoke Detector, Security System, Walk in Closet, Cable  
**EXTERIOR FEATURES:** Paved Driveway, Concrete Driveway, Outdoor Lighting  
**PATIO/DECK:** Open Patio, Open Deck, Sunroom  
**WATER FRONTAGE/VIEW DESCRIPTION:**  
**LANDSCAPING/IRRIGATION:** 2  
**HOA INCLUDES/AMENITIES:**  
**CONSTRUCTION:** Frame  
**EXTERIOR MATERIAL:** Brick, Hardie Plank Siding  
**ROOF:** Composition  
**BASEMENT/BLDG STRUCTURE:** Craw Space, Block Foundation  
**HEATING:** Natural Gas, Central  
**COOLING:** Central Air  
**WATER:** City Water  
**SEWER:** City Sewer  
**GAS:** Natural Gas, Natural Gas  
**DIRECTIONS:** From PGH, N on Washington, R on E. 6th Street, Home on R with sign

**PUBLIC REMARKS:** This stunning custom brick home was built by one of Putnam County's premier builders, Lucien Crawford and is truly a masterpiece of design and style. Situated on a meticulously-maintained lot with beautiful gardens, home features 4200 Square Feet, 10' ceilings with extensive moldings, 5 bedrooms, 4 full baths, 2 half baths, a spectacular custom kitchen with Viking and Bosch appliances, oak arched, walk-in laundry room, formal dining room, living room with gas fireplace and built-ins, den, beautiful sunroom, large game room with built-in entertainment center, security system, 2-car storage at rear of home, plus sprinkler system and storage garage.

**ADDENDUM:** 2.5 inch wide walnut hardwood flooring | Brick flooring in kitchen and Sunroom | Viking gas range and double oven | Bosch dishwasher | New Hardie-Plank on dormers | wonderful built-ins in living room and game room | Copper Gutters | Fireplace could convert to Wood Burning | — Buyer to verify all above information. —

**AGENT ONLY:** Appointment Only | Always Leave Business Cards | Earnest Money Check Must be Made Out and Paid to Hll Realty

FOR SALE/RENT: 5		OCCUPIED/VACANT/RENTED: OCCUPIED		MONTHLY RENT:	
POSSESSION: Negotiable		AS IS: No		WARRANTY PROGRAM:	
SA COMP (P%): 3		RAC COMP (P%): 3		EXCLUSIVE RIGHT TO SELL: Yes	
OWNER: Carol		VARIABLE: No		DATE:	
OWNER TERMS OFFERED: No		DATE:		MIN DOWN PAYMENT:	
EARNEST MONEY REQUESTED: 1%		DATE:		LOCKBOX SERIAL#: 53305256	
SHOWING INSTRUCTIONS: Appointment Only, Electronic Lockbox					
DOCUMENTS ON FILE: Lead Paint Disclosure, Property Condition					

DOC: Yes	DISPLAY ON INTERNET: Yes	DISPLAY ADDRESS: Yes	YOW AMM: Yes
YOWCMT: Yes	REQ: No	EC DATE: 5/18/2010	CLSBOT: 8/24/2010

# PROPOSED INDEPENDENT LIVING COMPLEX

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

## Sale Seven

MLS #: RR1411928 (Sold) List Price: \$350,000

100 Evergreen Place COOKEVILLE, TN 38506

SOLD PRICE: \$330,900

SOLD DATE: 10/30/2009

FINANCING: Conventional

SELLING OFFICE NAME: Realtor: Creek Roads (# 15)

SELLING AGENT NAME: Catherine Cates (# 329)

SELLER CONCESSION: none

SELLING COMMISSION: none

SOLD AT AUCTION: No



BEDROOMS: 4  
FULL BATH: 3  
PARTIAL BATH: 1  
APX SQFT: 3100  
APX SQFT RANGE: 3000+  
LEVELS: 2 Story  
YEAR BUILT: 1990  
BASEMENT: No

AREA: Cookeville NE, TN  
ADDRESS: 100  
COUNTY: Putnam  
SUBDIVISION: Evergreen  
DUE TO WHAT SCHOOL: Northeast  
ZONING:

LOT DIMENSIONS: 150 x 125

APX ACRES: 0.40

PARCEL: 000 00

MAP: 52B

APX LOT SQFT:

GROUP: B

CONTROL:

PAGE: 17

CITY TAXES: 588

COUNTY TAXES: 1857

HOA:

HOA DUES:

DEED BOOK: 388

WATER SUPPLY FROM:

City of Cookeville

GAS SUPPLY FROM:

City of Cookeville

WATER SUPPLY FROM:

City of Cookeville

ELECTRIC SUPPLY FROM:

City of Cookeville

GAS SUPPLY FROM:

City of Cookeville

WATER SUPPLY FROM:

City of Cookeville

City of Cookeville

Master Bdrm

M

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Bedroom 2:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Bedroom 3:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Bedroom 4:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Bedroom 5:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Kitchen

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Dining Rm

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Living Rm

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Family/Great Rm

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Laundry Rm:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Bonus Rm

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Other Rm 2:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

Other Rm 3:

U

Apex Size

Bath

Ent

Living Rm

Lvl

Apex Size

Bath

APPLIANCES:

Dishwasher, Garbage Disposal, Refrigerator, Gas Range/Oven, Electric Range/Oven, Microwave, Range Hood

WATER HEATER:

Gas

FINISHES:

One, Woodburning, In Living Room

ELECTRIC:

Breaker, Other See Remarks

INTERIOR FEATURES:

Hardwood Floors, Vinyl Floors, Tile Floors, Carpet, Jet Tub, Ceiling Fan(s), Vaulted Ceiling(s), Smoke

WINDOWS:

Double Pane, Pentastar

Detector, Garage Door Opener, Security System, Walk in Closet, Cable, Satellite

SHUTTERS:

Shutters, Shades, Curtains

EXTENSION FEATURES:

Paved Streets, Concrete Driveway

LAUNDRY:

Main Level

PATIO/DECK:

Open Patio, Open Backyard

LOT DESCRIPTION:

Cul-de-Sac, Cleared Lot

WATER MAIN/SEWER LINE DESCRIPTION:

Water Main/Sewer Line Description

LANDSCAPING:

Sprinkler System, Trees, Garden-Ornamental

CAR STORAGE CAPACITY:

2

WATER TYPE ON PROPERTY:

Water Type on Property

HOA INFORMATION:

HOA Information

CAR STORAGE TYPE:

Garage Attached

CONSTRUCTION:

Frame

WATER HEATER:

Gas

EXTERIOR MATERIAL:

Slabs

ELECTRIC:

Breaker, Other See Remarks

ROOF:

Composition, Metal

WINDOWS:

Double Pane, Pentastar

BASEMENT/STRUCTURE:

Crawl Space, Block Foundation

SHUTTERS:

Shutters, Shades, Curtains

HEATING:

Natural Gas, Electric, Central, Heat Pump

LAUNDRY:

Main Level

COOLING:

Central Air

LOT DESCRIPTION:

Cul-de-Sac, Cleared Lot

WATER:

City Water

LANDSCAPING:

Sprinkler System, Trees, Garden-Ornamental

SEWER:

City Sewer

WATER TYPE ON PROPERTY:

Water Type on Property

GAS:

Installed, Natural Gas

CAR STORAGE TYPE:

Garage Attached

DIRECTIONS:

From POCH, E. on Broad St., continue over Hwy 111 overpass, L. on Evergreen to 1st home on R.

CAR STORAGE TYPE:

Garage Attached

PUBLIC REMARKS:

Exceptional custom home rich in character, quality, and southern grace. 16 ft. ceilings, deep crown molding, crisp white plantation shutters, mellow hardwood floors. Elegant foyer, banquet-size formal dining. Open island kitchen and breakfast bay overlooking park-like, extensively landscaped patio and lawn. Stainless steel appliances include wine cooler, Viking range and additional oven (both convection), breakfast bar, walk-in pantry. Handmade columned fireplace with slate surround in belvedere living room. Main-level master with bay window, his & hers closets. Master bath with sunken tub, its shower with 4 jets and 2 shower heads. Walk-in laundry room. Two of 3 upstairs bedrooms have 2 closets each. Also upstairs: a corner office, 2 full baths, walk-in attic storage. Surrounding lot with speakers of: Main level and outside. Custom drapes remain except in nursery. Lure wall boards in main and 2 in son's room don't remain.

CAR STORAGE TYPE:

Garage Attached

ADDITIONAL:

Continued from Public Remarks. Zoned CHMA with natural gas on main level, heat pump, 2 water heaters. Exterior is new stucco, not synthetic. Front walkway, back patio and driveway are stamped concrete. Fully automated sprinkler system covers entire lot. \*\*DISCLAIMER: All information is deemed reliable, but is not guaranteed. Buyers and/or Agents should verify all information.

CAR STORAGE TYPE:

Garage Attached

AGENT ONLY: AGENTS - ALWAYS LEAVE CARD

AGENT ONLY: AGENTS - ALWAYS LEAVE CARD

CAR STORAGE TYPE:

Garage Attached

FOR SALE/RENT: S

POSSESSION: Replacer

WARRANTY PROGRAM:

EXCL. DRIVE RIGHT TO SELL: Yes

SA COMP. (S/C): S/C

FAC. COMP. (S/C): S/C

RATE:

MTN. DOWN PAYMENT:

OWNER: Moore

OWNER TERMS OFFERED: No

LOCKBOX SERIALS:

180400

BARNHART MONEY REQUESTED:

Electronic Lockbox

LOCKBOX SERIALS:

180400

SHOWING INSTRUCTIONS:

Electronic Lockbox

LOCKBOX SERIALS:

180400

# PROPOSED INDEPENDENT LIVING COMPLEX

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

## Sale Eight

MLS #: RR1443715 (Sold) List Price: \$449,000 881 STONEBRIDGE CIRCLE COOKEVILLE, TN 38601

SOLD PRICE: \$405,000 SOLD DATE: 8/28/2010 FINANCING: Conventional  
 SELLING OFFICE NAME: First Realty Company (N 4) SELLING AGENT NAME: Wanda Maynard (N 504)  
 SELLER CONCESSION: SELLING COMMENTS:



BEDROOMS: 4  
 FULL BATHS: 3  
 PARTIAL BATHS: 1  
 APX SQFT: 3602  
 APX SQFT RANGE: 3000+  
 LEVELS: 2 Story  
 YEAR BUILT: 2000  
 BASEMENT: No

AREA: Cookeville SE, TN  
 ADDRESS 2:  
 COUNTY: Putnam  
 SUBDIVISION: Stonebridge  
 BUS TO WHAT SCHOOL:  
 ZONING:

LOT DIMENSIONS: 104 84X162 21  
 APX 8 ACRES: NA; 0  
 CONTROL: B  
 CREDIT BOOK: R8324 PAGE: 177  
 ELECTRIC SUPPLY FROM: CITY OF COOKEVILLE  
 MAP: 86  
 PARCEL: 8  
 CITY TAXES: \$46.29  
 GAS SUPPLY FROM: CITY OF COOKEVILLE  
 APX LOT SQFT:  
 GROUP: 0  
 BASEMENTS: No  
 COUNTY TAXES: 2675.06  
 MDA: MDA DUES:  
 WATER SUPPLY FROM: CITY OF COOKEVILLE

	Lv	Apx Size	Bath	Est		Lv	Apx Size	Bath
Master Bdrm	M				Living Rm	M		
Bedroom 2	U		F		Family/Great Rm			
Bedroom 3	U		F		Laundry Rm			
Bedroom 4	U		M		Bonus Rm			
Bedroom 5					Other Rm 2			
Kitchen	M				Other Rm 3			
Dining Rm	M							

APPLIANCES: Dishwasher, Garbage Disposal, Electric Range/Oven, Microwave  
 FIREPLACE: One, See Through  
 INTERIOR FEATURES: Hardwood Floors, Tile Floors, Carpet, Jet Tub, Ceiling Fan(s), Smoke Detector, Garage Door Opener, Walk in Closet, Cable  
 EXTERIOR FEATURES: Paved Streets, Concrete Driveway  
 PATIO/DECK: Porch Covered  
 WATER FRONTAGE: NEW DESCRIPTION:  
 CAR STORAGE CAPACITY: 2  
 HOA INCLUDES AMENITIES:  
 CONSTRUCTION: Frame  
 EXTERIOR MATERIAL: Brick  
 ROOF: Composition  
 BASEMENT STRUCTURE: Crawl Space, Block Foundation  
 HEATING: Natural Gas, Electric, Central, Heat Pump  
 COOLING: Central Air  
 WATER: City Water  
 SEWER: City Sewer  
 GAS: Available, Installed, Natural Gas  
 WATER HEATER: Electric  
 ELECTRIC: Breaker, Other-See Remarks  
 WINDOWS/WINDOW TREATMENTS: Double Pane, None  
 LAUNDRY: Main Level  
 LOT DESCRIPTION: Cleared Lot  
 LANDSCAPING:  
 WATER TYPE ON PROPERTY:

DIRECTIONS: FROM POCH S ON LOWE, LEFT ON HUGGINS, RIGHT ON OLD WALTON, RIGHT ON STONEBRIDGE

PUBLIC REMARKS: HARDWOOD FLOORS, COIFERED CEILING, LARGE BONUS ROOM, GRANITE COUNTER TOPS, CHERRY CABINETS, BUILT IN BOOKCASES, SEE THRU FIREPLACE, FORMAL LIVING AND DINING ROOMS, SPRINKLER SYSTEM, PRESTIGIOUS NEIGHBORHOOD

ADDITIONAL:

AGENT ONLY:

FOR SALE/RENT: 5 OCCUPIED/VACANT/RENTED: OCCUPIED MONTHLY RENT: NA  
 POSSESSION: CLOSING DATE: WARRANTY PROGRAM: Builder Warranty  
 SA COMP (2%): 2.5 FAC COMP (5%): 2.5 VARIABLE: No EXCLUSIVE RIGHT TO SELL: No  
 OWNER: GARRETT  
 OWNER TERMS OFFERED: No RATE NON DOWN PAYMENT:  
 EARNEST MONEY REQUESTED: LOCKBOX SERIAL #: 63305271  
 SHOWING INSTRUCTIONS: Appointment Only  
 DOCUMENTS ON FILE: Property Condition

ID# Yes DISPLAY ON INTERNET: Yes UC DATE: 5/20/2010 DISPLAY ADDRESS: Yes VOW AWM: No  
 VOW CMNT: No REQ: No

LIST DATE: 1/20/2010 EXPIRE DATE: 7/20/2010 ORIGINAL LIST PRICE: \$449,000 DAYS ON MARKET: 161

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive  
Appraisal Report  
August 22, 2010

**Sale Nine**

3600 Tolbert Drive

Map 83P-C-22.00

Rebecca Place S/S

Sale Date – 8/16/2010

Sale Price - \$575,000

Gross Living Area – 5,084 SF

**Sale Ten**

1430 Bradshaw Blvd

Map 96K-B-20.00

Hickory Flatts S/D

Sale Date – 8/19/2009

Sale Price - \$406,400

Gross Living Area – 3,003 SF

**Subject:**

The **PROPOSED Independent Living Complex** is located at 1125 Deer Creek Drive, Cookeville, Tennessee. The site is improved with a two-story residential **Main Residence** building which contains approximately 4,800 square feet of gross living area on the first floor and 834 square feet of gross living area on the second floor. The main residence was constructed circa 1995. The Main Residence building is being completely renovated to include the enclosure of the garage into two (2) living units, and interior and exterior renovations. These renovations include, but are not limited to, driveway and court yard construction with brick paving, stairs to the second floor (**Executive Living Quarters**), the addition of a waste water system to accommodate the main residence and twenty (20) living areas for the clients, steam shower additions, cabinets and appliances for the kitchen and great room, iron work for the stairway for the second floor, and carpet and ceramic for the floors. The engineer/architect's estimate of the renovations is \$285,755.

The **Assisted Living Section** of the complex is planned to be constructed. The section is proposed to consist of two (2) buildings of identical size, design, and function. Each building will contain 2,542 square feet of gross living area. Each building will contain 10 living areas. Each living area will have a bedroom, closet, and bath which contain a single sink, 4' shower and commode. The living areas will have eight foot ceilings, finished drywall with carpet and vinyl floor covering. The living areas will be handicap accessible and meet all applicable building and safety codes. The buildings will be slab-on-grade, wood frame, hip roof covered with composition shingles and stucco exterior. Each living area unit (22) will be heated and cooled with a "package unit" through the wall system.

The site contains 10.52 acres and does not appear to be located in a flood plain. The site is located approximately one mile from Baxter and eight miles from Cookeville in a rural

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

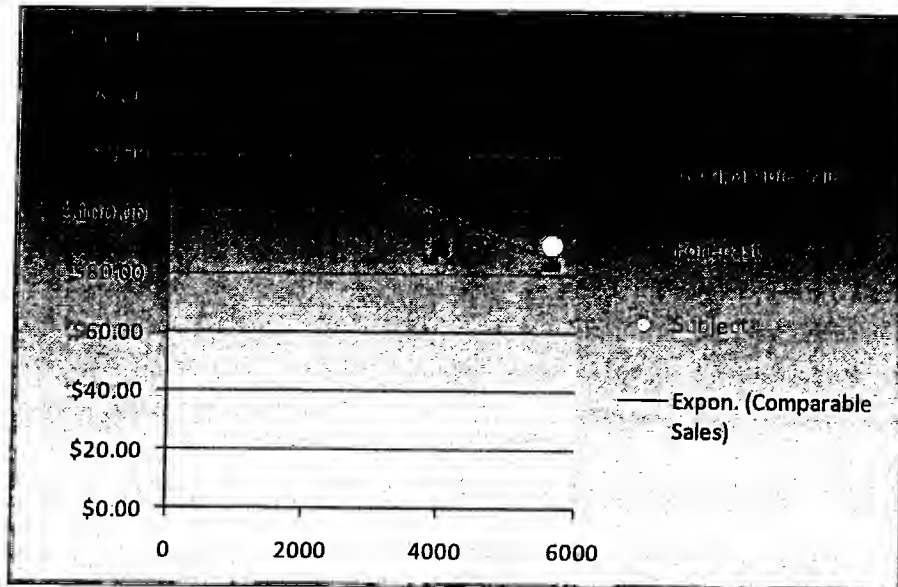
August 22, 2010

subdivision. The development will have private sewer. See maps, photographs, and floor plans in the Highest and Best Use and Addenda Sections of the report.

**Residential Sales Matrix**

Sales Data					
Subject			Sales Price	GLA	\$/SF
GLA 5634	Sale One		\$475,000	5708	\$83.22
	Sale Two		\$332,500	3902	\$85.21
	Sale Three		\$356,000	4067	\$87.53
	Sale Four		\$367,000	4067	\$90.24
	Sale Five		\$418,000	4583	\$91.21
	Sale Six		\$420,500	4200	\$100.12
	Sale Seven		\$330,900	3100	\$106.74
	Sale Eight		\$405,000	3602	\$112.44
	Sale Nine		\$575,000	5084	\$113.10
	Sale Ten		\$406,400	3003	\$135.33
Mean		Median	Forecast		
\$96.65		\$91.21	\$90.17		

Adjustment Matrix			
	Mean	Median	Forecast
\$/SF	\$96.65	\$91.21	\$90.17
Adjustment	0%	0%	0%
Value	\$96.65	\$91.21	\$90.17
Total Value	\$544,499	\$513,858	\$508,032



The above is a graphic representation of the sales, the forecast value and the value of the subject. The sales and forecast support the value of the subject.

Based on the ten sales, the forecast value of the subject is \$508,032. This value represents the contributory value of the single-family dwelling and the site.

Adjustments must be made to represent the addition on the living units and the barn.

Dwelling	\$508,032.
Living Units	\$362,642.
Barn	\$ 7,000.
Misc	<u>\$ 10,000.</u>
Adjusted Value of Subject	\$887,674.

### Secondary Market Data:

The following are sales of assisted living/independent living facilities which have sold. They are not recent sales, but are included in the analysis to support the above value conclusions.

IMPROVED SALES SUMMARY TABLE					
No.	Location	Sales Date	Price	Building Size SF	S/SF
1	O Murray DR	8/15/2008	\$210,803		
2	401 Cathrine Mcauly	6/30/2005	\$7,990,000	86,108	\$92.79
3	3009 Lake Brooke RD	5/10/2005	\$1,274,000	18,267	\$69.74
4	7521 Andersonville Pk	12/17/2002	\$2,542,500	38,409	\$66.20
5	8024 Gleason Dr	8/27/2002	\$4,866,364	60,220	\$80.81
			Average		\$77.38
			<b>Subject Value</b>		<b>\$800,158</b>



## **SALES APPROACH COMMENTS**

Based on the available market data and the analysis, there appear to be sufficient market data to meaningfully contribute to the overall value considerations of the Subject. Since the comparable sales within this market area, recent, and of similar location, the Market or Sales Approach to Value will be given consideration and the information developed from this approach deemed reliable for inclusion in the final opinion of value.

As a result of this analysis, value of \$887,674 is indicated by direct comparison. The Sales are similar in construction, design and quality of construction as single-family homes. I recognize there are no sales of independent living complexes to make a direct comparison, thus, since the primary value to the complex is in the main residence, I compared the main residence with the recent sales of large residences and added the value of the other less significant components. There was no mean of direct comparison for the components, thus, the value attributed the components in the Cost Approach were utilized. This seems to me the best avenue for comparison. The Subject will enjoy a fair location and modern design features. Based on the analysis of each comparable sale, it appears each sale has validity and will be given consideration in the opinion of value in this Approach. This consideration is based upon the reliability of data utilized in each technique.

### **Opinion of Value by Sales Comparison Approach:**

Based on the information obtained from the market by direct comparison, and weighted reconciliation based upon the similarities of the Comparable Sales to the Subject, the Sales Data Approach indicates a value opinion for the Subject as:

**(Eight Hundred, Eighty-eight Thousand Dollars)**  
**\$888,000.00**  
**(Rounded)**

## INCOME APPROACH

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### General Consideration and Discussion:

The income approach to value is based on the economic principle that the value of an income-producing property is the present worth of anticipated future benefits. The annual cash flow or net income projection is converted into a present value indication using capitalization or discounting. Methods of capitalization are based on inherent assumptions concerning the quality, durability, and pattern of the income stream.

Applying an overall capitalization rate to a single year's net operating income performs direct capitalization. This technique is appropriate for valuing an existing property when its current income equals or approximates the stabilized income level at fair market rates.

Sometimes the pattern of projected income is irregular as it is during the absorption period of a new or modified facility. An existing facility that has not reached stabilization or has become unstabilized due to internal or external causes may also have an irregular income pattern. In these cases a discounted cash flow (DCF) analysis, or yield capitalization, is most appropriate. When this method is applied, the present worth of future cash flow expectations is calculated by individually discounting each anticipated, periodic future cash receipt at an appropriate discount rate. The market value derived is the accumulation of the present worth of each year's projected net income plus the present worth of the reversion, or terminal value. The estimated reversion value, which is the forecasted property value at the end of the projected holding period, is based on direct capitalization of the projected net income in the reversion year.

Retail sales income and expense should be estimated based on industry averages, and, in addition, data from a variety of sources, especially comparable properties. The data used in this report for forecasting income and expense is based upon historical data of the subject. Data gained from the analysis of sales of comparable facilities will be utilized in this report as well as secondary data gained from other economic sources.

The income approach is the most commonly used, and typically the accurate, measure of value for retail convenience market facilities. It reduces the differences between properties to the least common denominator, net income, which is quantified in the market and converted into value through the application of a market-derived capitalization rate or through discounting. A facility is typically acquired for its income-producing capacity, and the income approach directly measures this important attribute.

The income approach consists of five basic steps:

1. Select an appropriate projection period.
2. Forecast gross revenues.
3. Forecast annual operating expenses.
4. Select appropriate capitalization or discount rates.
5. Apply proper capitalization or discounting procedures.

A one-year budget and ten-year projection is appropriate for this report since the Subject is a proposed facility with a planned income. In the case of the Subject, direct capitalization and other approaches will be applied to the stabilized net income to arrive at an estimate of value.

The utilization of discount rates, internal rates of return, equity rates and built-up rates are most significant when the project does not have established income streams. These projections leave a possible margin of error due to variables, which forecasters rarely, take into consideration. Specifically, in the case of apartment facilities an appraisal reports takes into consideration concerns, which are often overlooked in developing the accounting concept of "fair value". A few of these considerations are:

- An independent living complex is a tract of improved real estate. A real estate appraisal recognizes more than the business aspect of a developed property. During the course of the appraisal process the appraiser personally inspects the property and comparable sales to ascertain information pertaining to the physical and business aspects of the property being appraised. A forecaster may never see the property; its improvements, or activities, which characterize the business.
- In an appraisal three approaches to value are utilized rather than a single value estimate activity. Each approach is based upon information extracted from market activity and applied to the property being appraised. Each approach is considered and a "market value" is reconciled from the contributions of each approach to value.
- Long-range forecast do not consider variables such as economic trends. All that is required to severely affect the net profit of a multi-family facility is to experience periods of economic uncertainty or change in consumer taste.

### **Economic Considerations:**

The Subject is proposed and has no history of revenues from leases of the units. Based on market data, and the experience of management, it is anticipated revenue will establish and continue. Considering the above economic considerations, a typical budget has been developed. These projections are based upon projected revenues and expenses for the first year, based on the Performa income and expense statement provide me from the owners. These projections assume typical management, prudent care of the facility and utilization of all assets available to the facility. Based on my discussion with the property manager, the demand for the subject units remains high.

### **Definitions:**

Certain assumptions are required in the analysis. The assumptions and the rationale for each are defined in the following paragraphs. Each assumption applies to at least one of the techniques utilized in the following analysis.

**Property Appreciation/Depreciation.** This element is an estimate of the appreciation or depreciation of the property over time, due to inflationary or deflationary factors inherent in the local market economy. It is very speculative and often excluded in the appraisal process. In the general area residential sales have demonstrated an historical rate of

approximately 6 percent annual growth in overall value of homes sold. This does not, however, indicate that individual homes increase in value at the rate of 6 percent per year because the overall rate includes sales of both newly constructed and existing homes. New construction more often than not sells for more than comparable existing homes because the owners generally include personal preference items in the sales price which do not return full value in the market. Commercial sales are less frequent, so reliable statistics regarding appreciation or depreciation of commercial properties are less available for analysis, therefore, unless otherwise noted; a conservative growth rate between 0 and 5 percent is used in the analysis.

**Income Growth.** A lease may or may not include provisions for automatic rent increase over the period of the lease. When increases are specified, they are often tied to an economic indicator that reflects the general inflation in cost associated with the ownership of the property and use of consumer items such as utilities, supplies, etc. A common index uses, as a benchmark for commercial properties is the Consumer Price Index (CPI), which is calculated by the U.S. Department of Labor. The CPI generally corresponds to the rate of inflation, and has been in the vicinity of 2.5% to 3.5%. Projections of the CPI are tenuous beyond a year or two, but it never is less in many lease calculations.

**Loan-to-Value (LTV) Ratio.** Loans are typically made on the basis of a maximum percentage of the value of the property (sales price or appraised value). Residential loans are typically based upon 80 percent LTV, but may be as much as 100 percent depending on the lender and the insurer of the loan principle. Commercial loans typically involve more risk than residential loans. While loans of 80 to 90 percent are sometimes observed, the more common commercial loan is from 70 to 80 percent LTV.

**Loan Interest Rate.** Commercial loans without inordinate risk are typically made relative to the prime bank interest rate, which is adjusted on a weekly basis. The loan rate has traditionally been prime plus 1.0 to 2.0 percent. However, as competition among various banks and other lenders for commercial loans has increased in recent times, commercial borrowers are often given loan terms that are more favorable than traditional lending practices would indicate. Borrowers in general, and particularly those in small business, now expect favorable concessions from lenders.

**Loan Term.** Loan terms vary widely according to the type of property, the risk, the LTV, and the needs of the borrower. Terms of 15 to 25 years are common periods for commercial loans.

**Holding Period.** This element establishes at what point the property is to be divested and the investment capital recovered. It is arbitrary and very dependent upon the market and investor preference. It also establishes the period over which the cash flow potential of the property is analyzed. A period of ten years is commonly used for analysis, although, individual circumstances may dictate a shorter or longer period.

**Transaction Cost.** The cost involving financing of the purchase of the property and the subsequent sales of the property can be considered and reduce the overall return of the investment. When financing a purchase, closing (bank fees, points, recording fees, etc.)

and other (appraisal, title, insurance, attorney cost, etc.) cost typically amount to 1 to 5 percent of the transaction amount. Similarly, the sale of the property at reversion involves cost (real estate commission, attorney cost, etc.) that typically amount to 4 to 10 percent of the sale amount.

**Useful Life.** This element is established based upon the overall condition of the property as observed by the appraiser. For the proposed improvements, the estimate is based upon the quality of construction and the prospective use of the improvements over its lifetime.

**Utilities and Other Expenses.** The responsibility for cost of electric and gas service, water and sewer, trash collection, pest control, janitorial service and other similar expenses are generally specified in the lease agreement.

**Equity Yield.** This is the element that estimates the expectation of the investor with respect to the return required in order to justify an equity investment in a property. The estimate is formed by evaluating the returns available on other forms of investment with similar risk. Examples of low risk would be long-term U.S. Treasury or other secure bonds, which are considered "safe havens" with respect to other more turbulent investments. Interest rates for those instruments fluctuate as a result of many factors, but have recently been in the vicinity of 4 to 6 percent. High-risk "junk" bonds, on the other hand, have much higher yields. Real Estate tends to fall in between the extremes. New properties have less risk than older properties because of the potential for appreciation, the appeal to the market, and the likelihood of fewer immediate costs in repairs and maintenance. In general, investor equity yield demands have been increasing in recent months due to the uncertainties in certain non-domestic economies.

**Real Estate Taxes.** Current and prior real estate taxes on existing properties are available from public records. However, future taxes must be estimated and cannot anticipate a number of contingencies, such as federal or state mandates imposed upon localities and natural disasters. Taxation of proposed properties must estimate by approximating the county appraised value for the property, once completed.

**Insurance.** Two types of insurance are associated with a commercial property. Fire and general hazard insurance covers damage to the structure. Liability insurance covers injury and other losses associated with individuals. The terms of the lease generally specify the responsibility of the tenant and owner with regard to insurance cost.

**Maintenance and Repair.** Maintenance and repair is generally divided into interior and exterior categories, with responsibility of the cost of each specified in the lease.

**Management.** Owners, and particularly out-of-town owners, frequently use professional management companies to oversee the leasing, operation, and maintenance of an investment property. The fee for such service is typically based on a percentage of the rents collected. This provides an incentive to the management company to keep the property fully leased and in good repair, so as to has satisfied tenants. Management fees are typically between 4 and 10 percent of the rents collected, depending upon the type property and the amount of service required under the contract.

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**Reserve for Replacement.** This is a category of expense that assumes that the owner reserves a portion of the income from the property for replacement of long-term depreciable items, such as roof surface, plumbing and electrical fixture or appliance replacement, and heating and air conditioning. This is most often calculated as a percentage of the rents collected.

**Vacancy and Collection Loss.** This category reflects an allowance for those periods of time the property is vacant and therefore not generating rental income, and for those occasions when a tenant fails to pay the rent according to the terms of the lease. Vacancy rate (the terms include both vacancy and collection loss) for commercial buildings fluctuate considerably, depending upon the location and condition of the property, the number of tenants in the building, and the supply of and demand for similar properties. For single tenant building, vacancy rates of up to 50 percent are sometimes observed over the life of the property. Vacancy rate tends to decline as the number of individually rentable space increases. Full occupancy is always a goal for an investment property. However, a prudent investor will include a reasonable allowance for vacancy in assessing the value of a property. Typically, the investor will evaluate vacancy rates for similar properties in the area. This forms the basis for vacancy rate(s) considering the Subject.

**Input Data**

The information for the analysis is from the proposed operations Proforma operating budgets. All the information provided me has been used in the analysis except the cost of food. The Proforma provided for food cost at \$4.80 per day. This estimate appears low. The food cost was estimated by using the government per diem and adjusting for preparation cost and service cost which is approximately 80 percent base on my analysis of restaurant and fast food establishments. Based on this information the daily food cost should be \$9.20 per day per person for three meals.

The following rates apply, for 36501														
Primary Destination*	County	Max Lodging by Month (excluding taxes)												Meals & Inc. Exp.**
		2009			2010									
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Standard Rate		70	70	70	70	70	70	70	70	70	70	70	70	46

The following are capitalization and equity yield rates from Realtyrates, an organization which collects, analyses, and disseminates data relative to various real estate market segments. These rates are from regional areas for the last quarter, but are also indicative of action in the local market as well. This information in conjunction with local information will be used to select the yield rates in the discounted cash flow analysis.

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RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2010*						
HEALTH CARE & SENIOR HOUSING - ASSISTED LIVING FACILITIES						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	1.72%	DCR Technique	1.18	0.060156	0.90	6.40
Debt Coverage Ratio	1.18	<b>Band of Investment Technique</b>				
Interest Rate	5.14%	Mortgage	90%	0.060156	0.054140	
Amortization	38	Equity	10%	0.082990	0.008299	
Mortgage Constant	0.060156	OAR				6.24
Loan-to-Value Ratio	90%	<b>Survey</b>				5.93
Equity Dividend Rate	8.30%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	3.38%	DCR Technique	2.07	0.106522	0.60	13.21
Debt Coverage Ratio	2.07	<b>Band of Investment Technique</b>				
Interest Rate	6.80%	Mortgage	60%	0.106522	0.063913	
Amortization	15	Equity	40%	0.178620	0.071448	
Mortgage Constant	0.106522	OAR				13.54
Loan-to-Value Ratio	60%	<b>Surveyed Rates</b>				12.86
Equity Dividend Rate	17.86%					
<b>Average</b>						
Spread Over 10-Year Treasury	2.55%	DCR Technique	1.63	0.075499	0.75	9.20
Debt Coverage Ratio	1.63	<b>Band of Investment Technique</b>				
Interest Rate	5.97%	Mortgage	75%	0.075499	0.056624	
Amortization	26	Equity	25%	0.126024	0.031506	
Mortgage Constant	0.075499	OAR				8.81
Loan-to-Value Ratio	75%	<b>Surveyed Rates</b>				8.74
Equity Dividend Rate	12.60%					

\*2nd Quarter 2010 Data

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RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2010*									
DISCOUNT RATES									
Property Type	New Development			Acquisitions			Recapitalizations		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Apartment	8.14%	17.21%	12.63%	7.09%	14.98%	11.04%	8.06%	17.04%	12.57%
Garden/Suburban TH	8.14%	15.97%	11.92%	7.09%	13.90%	10.37%	8.06%	15.81%	11.80%
Hi-Rise/Urban TH	8.88%	17.21%	12.76%	7.73%	14.98%	11.10%	8.79%	17.04%	12.63%
Student Housing	8.65%	16.82%	13.06%	7.53%	14.63%	11.36%	8.57%	16.65%	12.92%
Golf	9.23%	20.63%	16.20%	8.03%	17.95%	14.10%	9.13%	20.43%	16.04%
Public Daily Fee Courses	10.40%	20.47%	15.21%	9.05%	17.81%	13.23%	10.29%	20.27%	15.06%
Semi-Private Clubs	9.33%	20.63%	16.26%	8.12%	17.95%	14.15%	9.24%	20.43%	16.10%
Private Clubs	9.23%	19.46%	15.68%	8.03%	16.93%	13.64%	9.13%	19.26%	15.53%
Health Care/Senior Housing	8.86%	21.89%	12.88%	7.71%	19.05%	11.21%	8.77%	21.67%	12.75%
Acute Care Facilities	9.73%	23.01%	14.46%	8.47%	20.02%	12.58%	9.64%	22.78%	14.31%
Out-Patient Care Facilities	8.86%	16.61%	11.64%	7.71%	14.45%	10.13%	8.77%	16.45%	11.52%
Congregate Care Facilities	9.61%	18.36%	12.67%	8.36%	15.97%	11.02%	9.52%	18.18%	12.54%
Assisted Living Facilities	9.08%	17.03%	11.84%	7.88%	14.81%	10.30%	8.97%	16.86%	11.72%

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### Value Estimates of Intangibles:

- Demonstrate profitability
- Be transferable with the ownership



There is no evidence that any profitability would be passed onto a new owner should the subject be sold. On the contrary, if this property was sold and different management assumed control, the property could actually begin to be less profitable. This demonstrates that this property has no special features that would pass on profitability to a new owner; thus, the value of intangibles in this case would be negligible.

### **Value Calculations for Income Approach:**

For this property the following evaluation has been developed.

#### **Direct Capitalization Rate:**

Direct Capitalization converts an estimate of a single year's income expectancy into an indication of value directly, either by dividing the income estimates by an appropriate rate or multiplying it by an appropriate factor. The method makes no distinction between the return on and the return of capital. The multipliers or factors used in direct capitalization are not true measures of investment profitability, and they do not measure value in terms of specific investor assumptions. The direct capitalization rate is related to the market's reaction to a property type. If rates can be extracted from the market and are deemed reliable, direct capitalization is the simplest method for deriving an estimate of value. After net annual operating income is obtained, it is divided by the capitalization rate to arrive at a value. The formula is:

$$V = P / R_o$$

The techniques that can be used to estimate an overall capitalization rate include derivation from comparable sales, derivation from effective gross income multipliers, band of investment – mortgage and equity components, band of investment – land and building components, and the debt coverage formula. The rate derived from comparable sales is developed from the data obtained from the sales information of the comparable sales in the area. In order to develop this method, reliable rental, income, expense, and usage information must be available.

#### **Comparable Sales Technique:**

This is generally the most reliable of the capitalization rates developed since the rate is developed from properties similar to the property being appraised. Since there has been no recent sales of independent living or assisted living facilities within the past three years, this information was NOT available to the appraiser; thus, this rate NOT could be developed

Since a direct capitalization rate could not be developed, other alternative techniques have been employed.

**Debt Coverage Ratio Technique:**

Institutional lenders use the debt coverage ratio (*DCR*), which is the ratio of the *NOI* to the annual debt service (*I<sub>M</sub>*). The *DCR* may also be use to estimate the overall capitalization rate with the formula

$$R_o = DCR \times R_M \times M$$

Where *M* represents the mortgage component.

*DCR* = *NOI* / Annual Debt Service

*R<sub>m</sub>* = *I<sub>m</sub>* / Amount of the Mortgage

**Band of Investment: Mortgage Equity Technique**

Yield rates give consideration to several facets of the investment transaction. If the typical purchaser is an investor with alternate sources for funds, the yield becomes a major factor in the purchase decision. Yield capitalization is actually another method of developing an overall rate to use in the direct capitalization method. Two common methods of yield capitalization are as follows:

- Mortgage Equity Techniques
- Band of Investment (Mortgage and Equity)

The band of investment and mortgage equity methods produce an overall rate that considers the relationship between the cash investment (equity) and the loan terms. Because of these characteristics, the capitalization process that uses these rates is called yield capitalization. The mortgage equity method of developing a rate contains these variables:

1. The holding period
2. equity yield rate (YE)
3. loan to value ratio (LTV)
4. loan term (amortization)
5. loan interest rate, and
6. appreciation or depreciation in property value

The ratios of loan to equity values are utilized to develop this rate. These values are based on typical financial market conditions. This rate is not as reliable as the developed rate since a small change in market loan rates can cause a large change in the value of the property. (rates, and terms from lender)

Yrs	Rate	LTV	Amount	Principle	Payment	Equity
26	5.97%	75.00%	\$888,000	\$666,000	\$51,068	\$222,000

Capitalization Rate Derivation and Value Calculations				
Capitalization Rate Input Variables				
Mortgage Interest Rate			5.97%	
Loan Term (Years)			26	
Loan to Value Ratio			75%	
Debt Coverage Ratio			1.630	
Equity Dividend Rate			12.60%	
Band of Investment Analysis				
Mortgage Constant		Loan Ratio		Contributions
0.0766794037	x	75%	=	5.75%
Equity Dividend Rate		Equity Ratio		
12.60%	x	25.00%	=	3.15%
Band of Investment Capitalization Rate				8.90%
Debt Coverage Ratio Analysis				
Debt Coverage Ratio	x	Loan to Value Ratio	x	Mortgage Constant
1.63		75%		0.07668
Debt Coverage Ratio Capitalization Rate				9.37%
				9.37%
Direct Capitalization Application				S/Unit
Total Expenses		\$232,089		\$6.78
Expense Ratio (Expenses/EGI):		75.54%		
Net Operation Income (NOI):		\$75,141		\$2.19
Capitalization Rate:		9.14%		
Value (NOI/Cap Rate):		\$822,331		\$24.01
Rounded:		\$822,000		\$37,363.64

### Discounted Cash Flow Method

The Discounted Cash Flow Method (DCF) of capitalization is usually appropriate if the income stream is expected to change periodically due to changes in the expenses or income. A series of operating statements is developed reflecting the net income per year during a projection period. To arrive at a termination rate for the income stream and the sale of the property, the appraiser estimates a projection or holding period. The last or final income projection in the series includes the net sales proceeds for the property, if any.

The income stream, including final sales proceeds, is converted to a net present value by the use of a discount rate. The terminal rate, the rate used to revert the sale proceeds to a present value, may be different than the rate used to discount the periodic income stream. The rate used for discounting is generally developed from competing investments or by extraction from sales of similar properties. Using a financial calculator, financial tables, or a computer program performs the mechanics of discounting.

The process is applicable to appraisals involving new or proposed improvements that have not reached market occupancy or a stabilized income stream, as well as properties with irregular income streams. The following model has been created with the following assumptions to determine the Net Present Value (NPV) and the Internal Rate of Return (IRR) for the Subject.

### **Internal Rate of Return - IRR**

The concept of an internal rate of return as a measure of performance, or return on investment, is not new, nor is it particular to real estate investments. The IRR is a rate of return on invested capital that is generated, or is capable of being generated, within an investment during the period of ownership. In other words, it is a rate of profit (or loss) or a measure of performance. It is, literally, an interest rate. The IRR is the rate of return at which the discounted cash flows equal the initial cash outlay. The IRR is the rate of return on capital expressed as a ratio per unit of time-----for example, 10% per annum.

The term interest rate is often used interchangeably with the term discount rate. In order to determine the present worth of future benefits in the eyes of the investor, the future benefits must be discounted at a rate equal to the interest rate or rate of return on capital that will satisfy the investor; hence, the discount rate is the interest rate and vice versa. Similarly, the IRR can be thought of as a discount. **It is that discount rate which equates the present value of the benefits to the present value of the capital outlays.** The IRR may be determined before or after taxes. In this particular case, the IRR will be determined before income taxes.

### **Net Present Value – NPV**

This measure is based on a desired rate of return. Net Present Value (NPV) is computed using the desired rate as a discount rate, and the results viewed as an absolute dollar reward. It is a relative measure in the sense that the reward is related to a desired rate of return, but is an absolute measure in the sense that the reward (or penalty) is expressed in total dollars rather than as a rate or ratio. NPV is calculated by adding the initial investment (represented as a negative cash flow) to the present value of the anticipated future cash flows. The value of the NPV indicates the results of the investment.

**If NPV is positive**, the financial value of the investor's assets will be increased: the investment is financially attractive.

**If NPV were zero**, the financial value of the investor's assets would not change: the investor is indifferent toward the investment.

**If NPV were negative**, the financial value of the investor's assets would be decreased: the investment is not financially attractive.

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## INPUT FACTORS:

Investment	\$888,000	
Income Change	2.00%	/YR
Expense Change	2.00%	/YR
Appreciation Rate	2.00%	/YR
Acquisition Fee	0.00%	\$0
Yield Rate	11.84%	
Reversion Expense	6.00%	\$64,948
OER	75.54%	

## Discounted Cash Flow Analysis

PERIOD	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10
PGI	\$323,400	\$329,868	\$336,465	\$343,195	\$350,059	\$357,060	\$364,201	\$371,485	\$378,915	\$386,493
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
EGI	\$307,230	\$313,375	\$319,642	\$326,035	\$332,556	\$339,207	\$345,991	\$352,911	\$359,969	\$367,168
Expenses	\$232,089	\$236,731	\$241,466	\$246,295	\$251,221	\$256,246	\$261,370	\$266,598	\$271,930	\$277,368
NOI	\$75,141	\$76,643	\$78,176	\$79,740	\$81,335	\$82,961	\$84,620	\$86,313	\$88,039	\$89,800
IRR	10.04%								Investment	\$888,000
Discount Rate:	11.84%								Appreciation Rate:	2.00%
Net Present Value:	-\$96,071								Term (Years)	10
Present Value:	\$791,929								Future Value:	\$1,082,467

## INDICATORS:

Break Even Ratio (BER) - Occupancy	89%
Break Even (YR6)	11.82
NPV	-\$96,071
IRR	10.04%
Debt Coverage Ratio (DCR)	1.47
Profitability Index	1.108
Net Income Ratio (NIR)	24.46%
Operating Expense Ratio (OER)	75.54%
Discount Rate	11.84%
Reversion	\$1,017,519
Present Value (PV)	\$791,929
EGIM	2.89
R <sub>o</sub>	8.46%
Value Per \$1.00 NOI	\$10.54
Implied R <sub>o</sub>	8.46%
Implied R <sub>e</sub>	9.31%

## Partition of the Internal Rate of Return

	IRR
	10.04%
Level CF	51.91%
Change in CF	4.06%
Investment	38.43%
Change in Investment	5.60%
Total	100.00%

The subject is not at a stabilized occupancy level because it must be constructed, then marketed until the occupancy is stabilized. The above represents the value as if fully stabilized, thus must be adjusted for construction time and lease-up. The calculation for this adjustment will follow later in this section.

The Net Present Value (NPV) indicates that the investment, with its income stream, is, in fact, would not be profitable investment at the suggested yield rate of 11.84. The discounting of the investment and the income stream indicate an investment, which would be profitable at the rate of 10.04 percent or below.

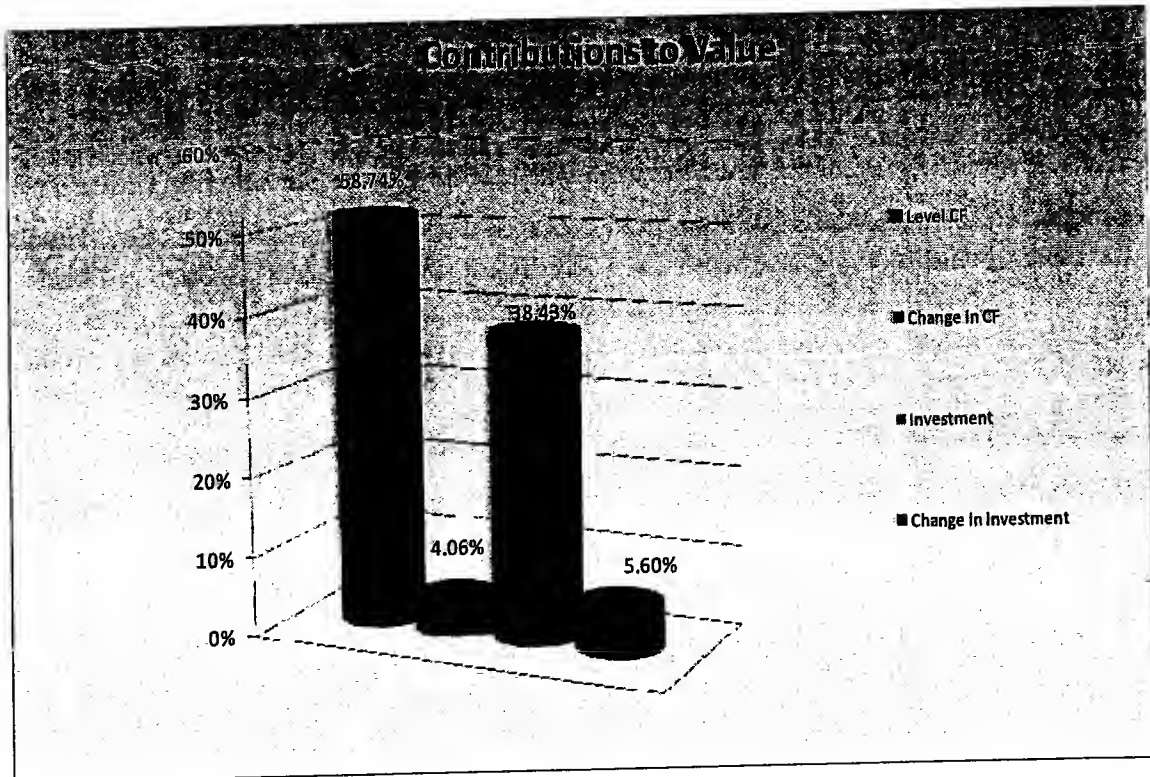
## CONSTRUCTION-LEASE ADJUSTMENT

The following is the calculation for the adjustment for construction and lease-up time. It is based on the completion date of February 2011 and leasing to stabilized occupancy within a six month period after completion. It also considers the portion of the project which is completed and available for lease. The analysis assumes a safe rate of 4 percent. **This adjustment will be considered in the reconciliation of the approaches. (See Reconciliation Section)**

RENT SHORTFALLS			
	Yr 1	Yr 2	Yr 3
Unstable	\$23,729	\$76,643	\$78,176
Stable	\$78,176	\$76,643	\$78,176
Difference	\$54,448	\$0	\$0
Adjustment	\$52,353		

## CONTRIBUTIONS TO VALUE

The following is a graphic representation of the contributions to value based upon the analysis. Those contributions are the investment, change in value of the investment, value of cash flows, and the change in the value of the cash flows.



## SUMMARY

Based on the developed methods of direct and yield capitalization used in this appraisal, a range of values was from \$791,929 to \$822,331. Based on the analysis of each capitalization or yield technique, it appears each technique has creditability and will be given consideration in the opinion of value in this Approach. Since the project is a proposed project, more emphasis will be placed on the Discounted Cash Flow since the other technique is based primarily on lender and not market criteria. This consideration is based upon the reliability and creditability of data utilized in each technique and, thus, will be weighted accordingly in the reconciliation of this approach. Based on this analysis, my opinion of value of the Subject, considering the income approach to value, is \$798,000.

INCOME APPROACH RECONCILIATION			
Direct Capitalization	Value	Weight	Component
Direct Capitalization	\$0	0.00%	\$0
DCR and ME	\$822,331	20.00%	\$164,466
<b>Yield Analysis - DCF</b>			
Yield Value	\$791,929	80.00%	\$633,544
<b>Total</b>		100.00%	\$798,010
<b>INDICATED VALUE</b>			<b>\$798,000</b>

**Value Opinion by Income Approach = \$798,000. (Rounded)**

## **ADDITIONAL CONSIDERATIONS:**

### **Equity Distribution:**

No discussion of income producing capacity would be complete without a discussion of equity performance of the investment. The equity evaluation will utilize the same input values, terms for the loan and its repayment, the investment of the owner (down payment), the debt at the end of the projection period, and the anticipated growth in value of the property (reversion) as the earlier analysis. As a result, the following is the projected rate of return and growth of the Pre-tax equity position.

EQUITY DISTRIBUTION AND EVALUATION											
Periods		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10*
	NOI	\$75,141	\$76,643	\$78,176	\$79,740	\$81,335	\$82,961	\$84,620	\$86,313	\$88,039	\$89,800
	D/S	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473	-\$54,473
	EQUITY	\$20,667	\$22,170	\$23,703	\$25,267	\$26,861	\$28,488	\$30,147	\$31,840	\$33,566	\$35,327
Equity Investment(Down Pr		\$-222,000						Reversion		\$1,017,519	
								Loan Balance		(\$689,544)	
								Equity		\$327,975	
PV		\$271,521							YR10 Equity		\$35,327
Y <sub>e</sub>		14.49%							YR10 Total		\$363,302
NPV		\$49,521	*YR10 TOTAL Includes Equity Plus Reversion								

The analysis indicates a positive leverage position.



## **RECONCILIATION AND FINAL VALUE ESTIMATE**

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### **Correlation of Final Value Indicators**

#### **Cost Approach**

The Cost Approach has the most merit when used to value a proposed or new property; or to value improvements built with materials and construction methods similar to those presently being utilized by the construction industry. One of the deficiencies of this method is accurately measuring depreciation. The cost new plus the value of the site tends to set the upper limits of value, but investors/buyers often purchase by comparing existing similar properties, and not necessarily by cost. If the supply of properties is not adequate, the prospective investor is typically aware of the cost to construct.

#### **Sales Comparison Approach**

The Sales Comparison Approach is well founded when there is sufficient sales data for extracting units of comparison.

#### **Improvement Value**

Gross Rent Multipliers may be good rules of thumb, especially when operating ratios and expected revenues of the sale comparables are similar to the Subject. The variances between the Subject and the comparables sometimes make the analysis more difficult, especially in the case of unique or specialized properties. Variances are typically composed of two types.

1. Economic characteristics such as low usage or occupancy
2. Physical characteristics such as age and condition

If a substantial number of comparables are available, the data gained becomes more reliable; especially if adjustments for known differences are available. Economic multipliers are considered sufficient indicators if sufficient data exists. The sales comparison approach does not help define the preliminary parameters of value even if the data is statistical and not a one to one comparison.

#### **Land Value**

The Land sales are examined for similarities for the subject in location, size, and physical characteristics. The quality of the information and the terms of each sale become more important during the selection of the sales that will be used in direct comparison. The sales comparison method, sometimes referred to as the market approach or direct sales comparison, is the preferred method of real estate appraisers. It is typically the most creditable approach or method for valuing single-family sites, if there are sufficient amounts of data available for analysis. The processes in the approach include:

1. Locating sales of similar sites
2. Selecting individual sales for analysis
3. Adjusting the prices of the sales
4. Correlation of the adjusted sale prices into a value for the subject site

### Income Approach

Conversations with investors reveal that they are most interested in the net operating income, which can be generated by a real estate investment. Return on capital varies with the quality and location of the property. The income approach is based on market occupancies; income and expenses obtained from market research of other operating real estate ventures. If available, the subject's actual income and expense can be used to adjust for individual features that are peculiar to the subject. The actual operating statement of a subject property is compared to typical market and the historical income can be used to support future projections, but the income projections must be based on typical sound management. Atypical management, good or bad, may influence the net income. This approach reflects current investor purchasing motives with investment and profit criteria.

### Conclusions:

The following is the results of the application of the two approaches to value utilized in this appraisal.

<b>Cost Approach</b>	<b>\$1,013,000.</b>
<b>Sales Comparison Approach</b>	<b>\$888,000.</b>
<b>Income Approach</b>	<b>\$798,000.</b>

### RECONCILIATION COMMENTS

The final step in determining the "market value" opinion is reconciliation. When reconciling for the final value of a property the appraiser must consider each approach to value that has been developed and the contributions of each. Under ideal conditions, the values from each approach to value for commercial properties should be within 5 to 25 percent of each other. When conditions other than ideal present themselves, often larger differences appear due to lack of market activity, changes in economic conditions in the market area, changes in lease/rental rates, and a number of other influences to value could cause larger differences to develop. In the case of the Subject, a difference between the estimates of value is as follows:

Cost to Market	12.34%
Market to Income	10.14%
Cost to Income	21.22%

*The Cost Approach has the most merit when used to value a proposed or new property; or to value improvements built with materials and construction methods similar to those presently being utilized by the construction industry. One of the deficiencies of this method is accurately measuring depreciation. The cost new plus the value of the site tends to set the upper limits of value, but investors/buyers often purchase by comparing existing similar properties, and not necessarily by cost. If the supply of properties is not adequate, the prospective investor is typically aware of the cost to construct. In the case of the Subject, the property is relatively new; thus the Cost Approach would play a meaningful role in determination of the final market value. The Market or Sales*

*Approach should always be a benchmark to determining value. This is the approach, which measures what is occurring in the market. In other words, "what buyers and sellers are willing to do"? This approach should always be considered, but in cases where limited sales data is available, the approach must be discounted in favor of more reliable data from the other approaches.*

*The income approach determines the value of the property to produce net operating income. Typically, when good historical data is available to the appraiser, this approach is a good indicator as to the value an investor would place on the property. The Subject Income Approach was developed with actual rates taken from market and contract leases in the Cookeville market area, and projected revenues and expenses anticipated in the typical year's operation by historical revenues and expenses. Capitalization and discounted cash flow techniques tested the property's projected income streams.*

In the case of the Subject, the most reliable and credible data is contained in the Cost, Market and Income Approaches to Value. Each approach will be weighted based upon the credibility of the data from each approach. **One possible reason the Sales Comparison and Income Approaches are substantially lower than the Cost Approach is the large investment in renovation cost to the main residence instead of income producing units. The project involves expenditures of over fifty percent to non-income producing portions of the property. This exemplifies the present market in relation to cost versus value.**

<b>RECONCILIATION</b>			
<b>Approach</b>	<b>Value</b>	<b>Weight</b>	<b>Component</b>
Cost	\$1,013,000	40%	\$405,200
Market	\$888,000	30%	\$266,400
Income	\$798,000	30%	\$239,400
<b>Total</b>		<b>100%</b>	<b>\$911,000</b>
<b>Indicated Market Value</b>			<b>\$911,000</b>

*Minus the adjustment for construction and lease-up time of \$52,353\* equals \$858,647 or \$858,700. (\*See Income Approach)*

After careful analysis of all data and evaluation of each approach to value, it is my opinion; as of **August 22, 2010** my opinion of market value of the Subject apartment development is **\$860,000**. (Rounded)

**EIGHT HUNDRED, SIXTY THOUSAND DOLLARS**

In my opinion, the estimated exposure time for this property would be from two to five years.

David M. Mainord  
State Certified General Real  
Estate Appraiser, CG:1393

## CERTIFICATIONS, GENERAL ASSUMPTIONS, AND LIMITING CONDITIONS

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**I certify that, to the best of my knowledge and belief:**

- the statements of fact contained in this report are true and correct:
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analysis, opinions, and conclusion.
- I have NO present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property assistance to the person signing this certification. If so, the person is named at the end of this certification.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- The legal and/or metes and bounds description as pointed out by the client is assumed to be correct.
- The appraiser has made no survey of the property and no responsibility is assumed in connection with such matters.
- No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable, and is assumed to be owned in fee simple by the client as of the date of this appraisal.
- Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, the appraiser assumes no responsibility for its accuracy.

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- It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover them.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated. All values stated herein are contingent upon the proper zoning, existing or proposed, granted by the local zoning authorities and adhered to regardless of the proposed use.
- It is assumed there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated.
- It is assumed that all required licensees and consents have been obtained from legislative or administrative authority for any use on which the value estimate contained in this appraisal is based.
- It is assumed the utilization of the land and improvements is within the boundaries or property lines or the property described and that there is no encroachment or trespass unless noted within the report.
- *The appraiser will not be required to give testimony in court because of having prepared this appraisal, with reference to the property in question, unless arrangements have been previously made therefore.*
- Possession of this report, or a copy thereof, does not carry with it the right of publication. Any person other than the party whom it is addressed without written consent of the appraiser, and in any event, only with proper written qualifications and only in its entirety may not use it for any purpose.
- If there are any improvements of value, the distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- No environmental impact studies were either requested or made in conjunction with this report and the appraiser hereby reserves the right to alter, amend, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.
- Neither all nor any part of the contents of this appraisal, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without written consent of the appraiser.
- Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or not be present on the property. The

appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

- The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detained requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. The appraiser did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
- It is assumed the property will be efficiently managed and that ownership is in responsible, knowledgeable hands.
- Current and historical market conditions have been analyzed in anticipating trends pertinent to the date of valuation. It should be noted, however, that unforeseeable changes in economic and market factors could dramatically affect the value estimate and conclusions herein.
- This is a complete summary appraisal written and intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a summary appraisal report. As such, it might not include full discussion of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- No detailed inspection of each interior or FF&E has been conducted; only a sampling. Based on discussions with management, the appraiser assumes the buildings and/or FF&E to be in the general conditions observed, and reserves the right to alter the value estimate if evidence of materially different conditions is present.
- The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements may not be used in conjunction with any other appraisal and are invalid if they are so used.

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- The appraiser is not certified to give opinions of value for insurance purposes. The enclosed analysis is for market value determination and should not be construed as having values related for insurance purposes.
- Gross Building Area (GBA) and/or Gross Living Area (GLA) expressed in Square Feet in this report has been verified by either measurement or verification by plans, specifications, assessor records or any source the appraiser ascertains to be a reliable source.
- The appraiser has identified the client, purpose, and scope of this report in the Identification and Type of Property Section of the report. Unauthorized reproduction, distribution, and/or use of this appraisal report will render the opinions developed in this report null and void. Unless authorized specifically in writing, use other than that contained within the report is NOT authorized and any conclusions reached, represented, or presented by the unauthorized party will not be construed as that of the appraiser. Any such unauthorized use may be reason for the appraiser to seek legal compensation or relief. This document is issued for the sole and exclusive use of the client named herein and the undersigned shall have no responsibility to any other person relying on it, and the liability of the undersigned is expressly limited to the fees paid for the services rendered. **I intend no other uses or users.**
- Transfer of this report is prohibited.
- Acceptance and/or use of this report will constitute acceptance of the foregoing general assumptions and general limiting conditions.
- It is vital that the client, intended user, or any reader of this report, read the report in its entirety to gain full awareness of the subject property, its market environment and the basis of the appraisal prior to using the value opinion in a business, investment or underwriting decision.
- The reported analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of the Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I David M. Mainord, have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
- The report was prepared with the hypothetical condition the complex, when completed, would comply with all applicable laws, restrictions, codes, and be representative of the construction and financial information supplied me.

David M. Mainord  
State Certified General Real Estate Appraiser  
CG:1393

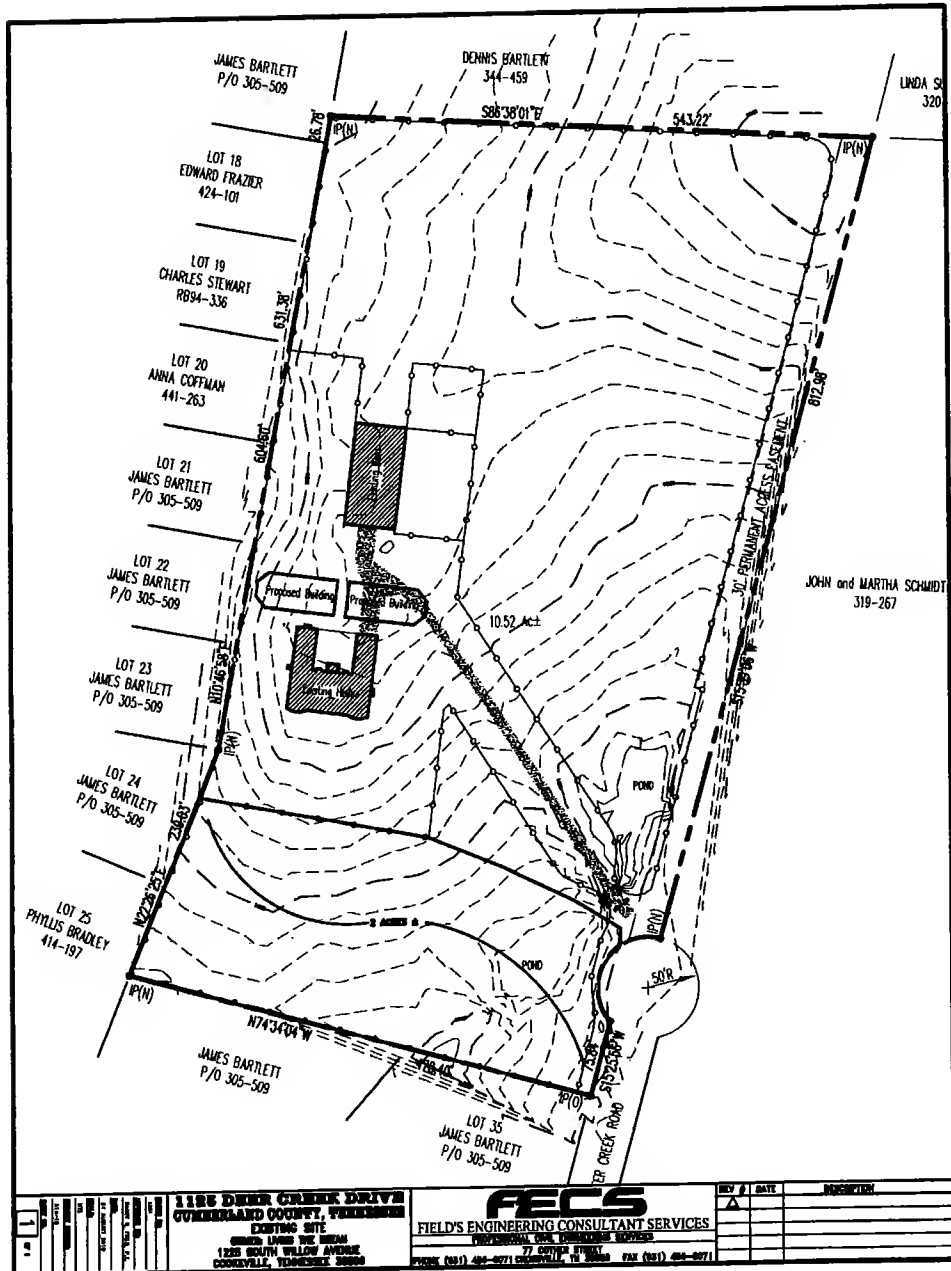
## **ADDENDA**

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- **Survey**
- **Legal Description**
- **Assessor Information**
- **Appraiser Information**
- **Engagement Letter**



**PROPOSED INDEPENDENT LIVING COMPLEX**  
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**PROPOSED INDEPENDENT LIVING COMPLEX**

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**James Bartlett**

**10.52 Acres**

Beginning at a ½" rebar (old) in the west margin of Deer Creek Road, being the northeast corner of Lot 35, Deer Run Subdivision (James Bartlett), also being a corner of Bartlett; thence leaving the west margin of Deer Creek Road and with the north line of Lot 35, Deer Run Subdivision (James Bartlett) N74°34'04"W 190.00' to a ½" rebar (old), being the northwest corner of Lot 35, Deer Run Subdivision (James Bartlett); thence covering the land of Bartlett N74°34'04"W 288.40' to a ½" rebar (old) in the east line of Lot 25, Deer Run Subdivision (Phyllis Bradley); thence with the east line of Lot 25, Deer Run Subdivision (Phyllis Bradley), and the east line of Lot 24, Deer Run Subdivision (James Bartlett) N22°26'25"E 239.03' to a ½" rebar (new), being the northeast corner of Lot 24, Deer Run Subdivision (James Bartlett), also being the southeast corner of Lot 23, Deer Run Subdivision (James Bartlett); thence with the east line of Lot 23, Deer Run Subdivision (James Bartlett), Lot 22, Deer Run Subdivision (James Bartlett), Lot 21, Deer Run Subdivision (James Bartlett), Lot 20, Deer Run Subdivision (Anna Coffman), Lot 19, Deer Run Subdivision (Charles Stewart), and Lot 18, Deer Run Subdivision (Edward Frazier) N10°46'58"E 604.60' to a ½" rebar (old), being the northwest corner of Lot 18, Deer Run Subdivision (Edward Frazier); thence covering the land of James Bartlett N10°46'58"E 26.78' to a ½" rebar (new), being the southwest corner of Dennis Bartlett; thence with the south line of Dennis Bartlett S86°38'01"E 543.22' to a ½" rebar (new), being a common corner of Dennis Bartlett, Linda Sue Brown, John & Martha Schmidt, and James Bartlett; thence with a west line of John & Martha Schmidt and the east margin of a 30' permanent access easement S15°39'06"W 812.98' to a ½" rebar (new) in the north margin of a cul-de-sac (Deer Creek Road), being a corner of John & Martha Schmidt; thence with the north margin of said cul-de-

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There is a 30' permanent access easement across the eastern portion of the above-described property.

This is a detailed plat map of a portion of Section 36, Township 36N, Range 10E. The map shows several land parcels, many of which are labeled with acreage values. A proposed road, labeled "CREEK ROAD", is shown running diagonally across the map. The parcels are divided into various shapes, including rectangular lots and irregular tracts. Some parcels are shaded with a stippled pattern, indicating specific land use or ownership. The map includes a north arrow in the upper left corner and a scale bar in the lower left corner. The following table lists the labeled parcels and their acreage values:

Parcel Label	Acreage
055P A002.00	0.02
055P A024.00	0.00
055P A026.00	0.00
055 A016.00	0.16
055 A017.00	0.17
055 A018.00	0.18
055 A019.00	0.19
055 A020.00	0.20
055 A015.00	0.15
055 A022.00	0.22
055 A014.00	0.14
055 A013.00	0.13
055 A012.00	0.12
055 A025.00	0.25
055 A028.00	0.28
055 A033.00	0.33
055 A032.00	0.32
055 A031.00	0.31
055 A030.00	0.30
055 A029.00	0.29
055 A028.00	0.28
055 A027.00	0.27
055 A026.00	0.26
055 A025.00	0.25
055 A024.00	0.24
055 A023.00	0.23
055 A022.00	0.22
055 A021.00	0.21
055 A020.00	0.20
055 A019.00	0.19
055 A018.00	0.18
055 A017.00	0.17
055 A016.00	0.16
055 A015.00	0.15
055 A014.00	0.14
055 A013.00	0.13
055 A012.00	0.12
055 A011.00	0.11
055 A010.00	0.10
055 A009.00	0.09
055 A008.00	0.08
055 A007.00	0.07
055 A006.00	0.06
055 A005.00	0.05
055 A004.00	0.04
055 A003.00	0.03
055 A002.00	0.02
055 A001.00	0.01

PROPOSED INDEPENDENT LIVING COMPLEX  
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RESIDENTIAL									
1225 DEER CREEK DRIVE 1125									
OWNERS: B. BARN & WATSON MEMBERS									
LIVING THE DREAM- INDEPENDENT I									
1225 S WILLOW AVE									
COBBVILLE TN 38006									
FOUNDATION									
WOOD W/ SUB FLOOR									
CONCRETE BLOCK/WOOD									
GABLE AND HIP									
COMPOSITION SHINGLE									
MAXIMUM									
CARPET COMBINATION									
DOWNTOWN									
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**PROPOSED INDEPENDENT LIVING COMPLEX**

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Appraisal Report

August 22, 2010

**Appraisal Educational Resume**

David M. Mainord

Certified General Real Estate Appraiser

<b>COURSE</b>	<b>COURSE PROVIDER</b>	<b>YEAR</b>
<b>BS DEGREE</b>	<b>TTU</b>	<b>1976</b>
<b>Fundamentals of Farm Appraisals</b>	<b>USDA</b>	<b>1982</b>
<b>Basics of Appraisal</b>	<b>ASFMRA</b>	<b>1992</b>
<b>Fundamentals of Appraisal</b>	<b>ASFMRA</b>	<b>1992</b>
<b>Technical Report Writing</b>	<b>ASFMRA</b>	<b>1993</b>
<b>Advanced Appraisal Review</b>	<b>ASFMRA</b>	<b>1993</b>
<b>Basic Income Capitalization</b>	<b>AI</b>	<b>1993</b>
<b>Residential Appraisal</b>	<b>AI</b>	<b>1993</b>
<b>Uniform Standards of Professional Appraisal Practice</b>	<b>TREES</b>	<b>1993</b>
<b>HO 12C Calculator</b>	<b>TREES</b>	<b>1993</b>
<b>Licensed December 1993 - CG: 1393</b>		
<b>Residential Case Study</b>		
<b>1-4 Units</b>	<b>AI</b>	<b>1995</b>
<b>USPAP-15 Hr</b>	<b>AI</b>	<b>1995</b>
<b>Financial Statement Analysis</b>	<b>ABA</b>	<b>1997</b>
<b>Advanced Financial Analysis</b>	<b>ABA</b>	<b>1998</b>
<b>Residential Study</b>	<b>TREES</b>	<b>1999</b>
<b>USPAP</b>	<b>TREES</b>	<b>2001</b>
<b>Adv. Income Capitalization</b>	<b>TREES</b>	<b>2003</b>
<b>USPAP Update</b>	<b>AI</b>	<b>2005</b>
<b>Appraising Complex Properties</b>	<b>McKissock</b>	<b>2005</b>
<b>Building An Appraisal Practice</b>	<b>McKissock</b>	<b>2005</b>
<b>Appraising Retail Properties</b>	<b>AI</b>	<b>2007</b>
<b>USPAP Update</b>	<b>AI</b>	<b>2007</b>
<b>Residential Case Study</b>	<b>AI</b>	<b>2007</b>
<b>Eminent Domain</b>	<b>AI</b>	<b>2007</b>
<b>Mortgage Fraud</b>	<b>AI</b>	<b>2007</b>
<b>USPAP-15 HR</b>	<b>AI</b>	<b>2007</b>
<b>Business Practice &amp; Ethics</b>	<b>AI</b>	<b>2007</b>
<b>Advanced Income Capitalization</b>	<b>AI</b>	<b>2007</b>
<b>Market Analysis &amp; HBU</b>	<b>AI</b>	<b>2008</b>
<b>General Writing &amp; Analysis</b>	<b>AI</b>	<b>2008</b>
<b>Advanced Sales Comparison &amp; Cost Approaches</b>	<b>AI</b>	<b>2008</b>
<b>Advanced Applications</b>	<b>AI</b>	<b>2008</b>
<b>FHA and Appraisal Applications</b>	<b>AI</b>	<b>2008</b>
<b>USPAP-7Hr</b>	<b>AI</b>	<b>2009</b>
<b>Statistical Analysis and Modeling</b>	<b>AI</b>	<b>2009</b>
<b>USPAP-7Hr</b>	<b>AI</b>	<b>2010</b>

AI: Appraisal Institute

ASFMRA: American Society of Farm Managers and Rural Appraisers

TREES: Tennessee Real Estate Education System

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

**Income Producing Property Types Appraised:**

Apartments

Banks

Car Wash Properties

Churches

Transitional Properties

Congregate Housing

Cotton Gins

Daycare Properties

Farms & Agriculture Enterprises

Funeral Homes (Mortuaries)

Golf Courses

Hotels

Industrial Properties

Marinas

Medical Offices

Mini-Malls

Mini-Warehouse

Motel Properties

Nursery & Greenhouse

Office Complexes

Poultry Operations

Spring Water Bottling Operation (Perrier)

Store Properties

Veterinary Clinics

Wineries

Warehouse Properties

For License Information see: National Registry at [www.asc.gov](http://www.asc.gov)

### Commercial Appraisal Engagement Letter

Date: July 1, 2010  
Appraiser: David Mainord  
Re: Living the Dream - Independent Living for Seniors, Inc.  
1125 Deer Creek Drive  
Cookeville, TN 38501

Dear: Mr. Mainord

Enclosed is our request for professional appraisal service that requires your endorsement. The appraisal assignment must be prepared in accordance with the appraisal policies and guidelines of the appropriate federal regulatory authorities. In addition, the appraisal must conform to the specific conditions indicated on the following pages:

Authorization: This is your authorization to proceed with the appraisal assignment evaluating the real property known as:

Property Owners: Living the Dream - Independent Living for Seniors, Inc.

Contact Phone Number: Larry Webb, 931-432-4111

Purpose: Construction

Confidentiality: The undersigned authority is your confidential client. You are to take all reasonable steps to ensure that you and your organization divulge no information concerning your appraisal report to any person other than the undersigned. Written approval from Bank of Putnam County is required to release confidential information, including assignment results, to a third party.

Transmittal: The information noted below has been provided to aid you in the assignment.

<input checked="" type="checkbox"/> Legal Description	<input type="checkbox"/> Site Plans / Survey
<input type="checkbox"/> Construction Worksheet	<input type="checkbox"/> Operating Statements
<input type="checkbox"/> Rent Roll	<input type="checkbox"/> Lease Agreements
<input type="checkbox"/> Pro Forma Income/Expense Estimates	<input type="checkbox"/> Environmental Audits
<input checked="" type="checkbox"/> Appraisal/ Evaluation Request Form	<input checked="" type="checkbox"/> Building Plans and Specs

You may contact the lending officer, Gerry Whitehead at 931-525-2403, to provide any additional property specific information, including access that may be required for your analysis. However, specifics as to the value to be determined should not be discussed with the officer. All original plans and specifications are to be returned upon completion of this assignment.

Scope of Work and Appraisal Requirements: We request that you provide the following value estimates:

Market Value "As Is"

(Considering the Cost, Sales, and Income Approach to value as appropriate)

Prospective Market Value at Completion

Prospective Market Value at Stabilization

Other Values (Going Concern, Liquidation Costs, etc.)

The scope of the service should include a report with discounted cash flow analyses assumptions and projections, as appropriate. The property to be appraised is collateral for a federally related transaction. Should you find reporting requirements different than indicated here, please contact the undersigned for clarification or direction. We acknowledge it is the appraiser's responsibility to determine and perform a scope of work sufficient to produce credible assignment results. The amount of information and analysis presented in the report should be based on the appraisal product type and the complexity of the appraisal issues addressed.

Function: The function of the report will be to aid in proper underwriting, loan classification and/or disposition of the asset.

Report Type: ☐ Restricted ☒ Summary ☐ Self Contained

Standards: The appraisal assignment must be processed and the report must be prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP); with the appraisal requirements of Title XI of the Federal Financial Institutions Reform,

**PROPOSED INDEPENDENT LIVING COMPLEX**

1125 Deer Creek Drive

Appraisal Report

August 22, 2010

Recovery, and Enforcement Act of 1989 (FIRREA), revised June 7, 1994, and amendments thereto; and the Interagency Appraisal and Evaluation Guidelines.

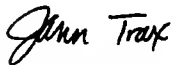
**Competency:** The report should include an affirmative statement that the appraiser is competent to complete this report in accordance with the competency provision in the USPAP.

**Addressee:** The reports are to be addressed to the undersigned.

**Commitment:** It is our understanding that two (2) originals of the appraisal are to be submitted to the undersigned on or before July 15, 2010, together with your bill for services in the amount not to exceed \$2,000 (your bill should include your Federal Tax ID number or Social Security number and should reference the project). The signatory to this engagement letter must be a signatory to the appraisal assignment.

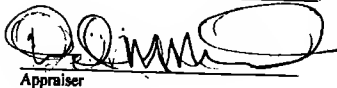
Please note your acceptance of these terms and conditions of engagement by attaching a signed copy of this engagement letter when returning completed appraisal.

Sincerely,



Jean Trax  
Loan Review  
Bank of Putnam County  
P.O. Box 2809  
Cookeville, TN 38502  
931-528-5441

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2010



Appraiser

**Disclaimer**

If you do not wish to perform this appraisal, please sign the line below and return it to us within 1 business day. We would appreciate your expediency in this matter.

\_\_\_\_\_



